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Final Report of the Special Education Committee Study of Financing Kindergarten through Grade 12 Public Education

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**STATE OF MAINE
120TH LEGISLATURE
FIRST REGULAR SESSION**

**Final Report
of the
SPECIAL EDUCATION COMMITTEE STUDY
OF FINANCING KINDERGARTEN
THROUGH GRADE 12 PUBLIC EDUCATION**

January 2002

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Executive Summary

This report represents the result of the legislative review of Maine laws applicable to the financing of K-12 public education and the system for distributing state subsidy through the general purpose aid for local schools program to the 285 school administrative units in the State. The Legislative Council authorized the Joint Standing Committee on Education & Cultural Affairs (or “Education Committee”) to conduct this Special Education Committee Study (or “Special Committee”) during the interim following the First Regular Session of the 120th Legislature.

The primary purpose of the Special Committee review was to investigate the school finance policy issues under consideration by the 120th Legislature, including state policies related to the distribution of public subsidies under the existing school funding formula and the establishment of a new formula based upon the so-called “essential programs and services” (EPS) model. As proposed by LD 1747 during the First Regular Session of the 120th Legislature, the transition from the current school funding formula to a formula based on the EPS model would be implemented over a 4-year period beginning in FY 2003-04, with full implementation projected for FY 2006-07. The Special Committee study was convened on July 24, 2001 and held six meetings in conducting this review.

The principal work product of this Special Committee study is a series of policy issue analyses of the relevant school finance policy issues confronting the 120th Legislature and a summation of the decision points related to the pending decision before Maine lawmakers of whether or not to transition to a new school funding formula based on the EPS model. As specified in the work plan approved by the Legislative council, the Special Committee review focused on examining the following policy issues:

- A. The so-called “hold harmless” or “hardship cushion” provisions or other provisions for defining a maximum loss of state subsidy;
- B. The efficacy of using an “income factor” as a mechanism to determine the fiscal capacity of a local school administrative unit;
- C. The efficacy of using regional adjustments, including a cost-of-living adjustment, cost-of-education adjustment;
- D. The efficacy of using other adjustments, including an adjustment for geographical isolation, transportation, special education, English as a Second Language, and free-and-reduced lunch;
- E. The establishment of and adjustments to the per pupil guarantee amounts and targets;
- F. The framework underpinning the use of so-called “quintile analysis”, including the redefinition of such analyses;

- G. The efficacy of achieving “majority state funding” or the intent of the Legislature that the state share shall provide at least 55% of the combined state and local funding;
- H. The need to simplify the school funding formula and to make the formula more comprehensible;
- I. The need to connect to or interact with the “Education Funding Reform” Study proposed by the Taxation Committee; and
- J. The consideration of other issues that may include, but not be limited to, state and local financing of the construction and renovation of school facilities, the teacher retirement system and the retired teachers’ health insurance programs.

The Special Committee received staffing assistance from the Office of Policy and Legal Analysis (“OPLA”) and technical assistance from the State Board of Education and the Department of Education and the Maine Education Policy Research Institute (“MEPRI” or the institute”). In addition to the data compiled and provided by representatives of these entities, the Committee benefited tremendously from the analyses and information provided by members of the state board’s EPS Committee and its several sub-committees, which were ably assisted by MEPRI researchers from the University of Southern Maine and the University of Maine. The Special Committee also received information provided by the State Planning Office and the Maine Education Association.

The DOE staff provided Special Committee members with a copy of the updated “School Funding Tool Kit” and also presented a primer regarding the recent history of school funding in the State, including a description of what is included and excluded in the state share in Maine and in other states and an overview of the transition to an EPS model for school funding. Special Committee members turned their attention during the next four meetings to reviewing and discussing the information gathered by DOE, SBE, MEPRI and Special Committee staff regarding the legislative history and policy alternatives related to the K-12 public education finance issues identified in the work plan.

During its sixth and final meeting, the Special Committee received *preliminary* statewide cost estimates of implementing the current version of the EPS model that was developed by DOE and MEPRI staff. Compared to the *actual* combined state and local expenditures of \$1,414,748,147 in fiscal year 1999-2000 for K-12 education, the *estimated* combined state and local expenditures to implement the EPS model in fiscal year 1999-2000 would have been \$1,575,351,592 and would have required an additional \$160,603,445 in combined state and local revenues or a 11.35% increase over actual expenditures. The Special Committee also reviewed the legislative history and policy alternative summaries prepared by Special Committee staff. Beyond reaching a consensus to accept these policy issue analyses, the Special Committee was briefed on the Commissioner’s “recommended funding level” for General Purpose Aid to Local Schools (“GPA”) in fiscal year 2002-03 and also conducted a work session on three “carry over” bills that proposed school funding formula changes.

I. INTRODUCTION

The Joint Standing Committee on Education & Cultural Affairs (or “Education Committee”) developed a proposal to conduct a special committee study of school funding formula issues during the interim following the First Regular Session of the 120th Legislature. Under rules adopted by the Legislative Council, the joint standing committees of the Legislature may request authorization to conduct studies during the interim. These studies offer committees the opportunity to carry out research and evaluation on legislative matters of a scope and depth that is not possible during the legislative sessions. The Legislative Council accepted the proposal and the Special Education Committee Study of Financing Kindergarten through Grade 12 Public Education (or “Special Committee”) was authorized to convene the study prior to July 31, 2001, to hold six meetings in conducting the review and to submit its report to the Legislature by December 31, 2001. A copy of the Special Committee proposal is attached as **Appendix A**.

The Special Committee was established to conduct an internal legislative review of Maine laws applicable to the financing of K-12 public education and the system for distributing state subsidy through the general purpose aid for local schools program to school administrative units in the State. The purpose of the review was two-fold:

1. To ensure that Maine’s school finance structure is fair and equitable, and to ensure that the State of Maine is competitive with other states in providing high quality, cost-effective public education; and
2. To review the education finance policy issues related to transitioning to a new school funding formula based on the so-called “Essential Programs and Services” (or “EPS”) model.

As proposed by LD 1747 during the First Regular Session of the 120th Legislature, the transition from the current school funding formula to a formula based on the EPS model would be implemented over a 4-year period beginning in FY 2003-04, with full implementation projected for FY 2006-07.¹

The primary purpose of the Special Committee review was to investigate the school finance policy issues under consideration by the 120th Legislature, including state policies related to the distribution of public subsidies under the existing school funding formula and the establishment of a new formula based upon the so-called “essential programs and services” model. The EPS model is based on the so-called “adequacy” approach to school funding and represents somewhat of a departure from the “equity” approach that Maine and many other states have traditionally deployed to provide an equal opportunity to learn for K-12 students. Prior to 1997, Maine had an expenditure-driven school funding formula where the combined amount of revenues raised and spent by state and local taxpayers to provide K-12 education was considered to be the basis for what it would cost to educate K-12 students in subsequent years.

¹ LD 1747 ultimately died upon adjournment on the Special Appropriation’s Table, despite the endorsement of the bill by the Education Committee, the House and Senate and -- apparently -- a vote by the Appropriations Committee to move the substantive provisions of the bill into the supplemental budget bill.

The State moved the General Purpose Aid to Local Schools program (or “GPA” program) towards a so-called “guaranteed-foundation” funding model in 1997. In essence, the State establishes and guarantees that an equal foundation amount of combined state and local revenues – or a “per pupil guarantee” -- will be provided for each K-12 student. The final report of the EPS Committee convened by the State Board of Education (“SBE” or “state board”) describes the rationale for establishing a “per pupil guarantee” in Maine to “level the playing field” with respect to student equity:

In theory, the state guarantees a certain amount of funding, an equal foundation amount, for each child in a school district. However, this guarantee is adjusted downward based on the amount of state funds the Maine Legislature approves for education in any given year. In actuality, then, educational costs in Maine have been based on past expenditures (prior to 1997) or an adjusted guarantee amount (after 1997), which over time have resulted in considerable disparities in educational funds available in different school districts across the state. Under the current state formula, a community’s ability to pay for education is based on two key factors: real estate property valuations (85% weighting) and median household income (15% weighting). Per pupil valuations (total property value divided by the number of pupils) vary a great deal among communities in Maine, ranging from a low \$85,000 per pupil to almost 11 million dollars per pupil. Median household income ranges from approximately \$9,400 to \$55,000. As a result, some communities are far more able than others to provide financial support for their schools. The state distribution formula is designed to compensate for these differences, but because the state funds together with required local funds do not fully cover the cost of education, communities must supplement these funds. Some communities are able to provide far more funds per pupil than other communities. As a consequence, in 1996-97 some school districts were spending 2-3 times more per pupil than other districts. These disparities between communities result in significant student inequities across the state where some schools have many more resources than others for educating their children.²

Some maintain that increasing the amount of State funding for the GPA program will reduce these funding disparities and will result in reducing student inequity while equalizing the burden borne by local taxpayers in communities across the State. Others have argued that increased state funding alone will not achieve the elusive goals of student equity and taxpayer equity.

New concepts of “adequacy” in school funding propose that state lawmakers should elevate the perennial policy debate regarding school funding beyond the pursuit for achieving political consensus in defining and creating equity; and instead focus on the desired state goals or results for student learning and what the necessary resources (i.e., program and service) are to ensure that all K-12 students have an equitable opportunity to achieve these desired ends. As

² See the final report of the State Board of Education Essential Programs & Services Committee, “Essential Programs and Services: Equity & Adequacy to Improve Learning for All Children” (State Board of Education, 2001, p. 2).

directed by the 118th Legislature and the 119th Legislature, the SBE and the Department of Education (“DOE” or “department”) have been studying the efficacy of designing a new school funding formula based on the EPS model. The state board and department have reported to the Legislature that this new paradigm promises to provide every child in the State, regardless of their residence, with an adequate level of funding so that they will have an equal opportunity to learn and to achieve the high standards established under the system of Learning Results.

The Education Committee proposal authorized by Legislative Council for the Special Committee study stated that the principal duty of this undertaking was for the Education Committee members to review the findings and recommendations of recent legislative and state agency studies of the school finance policy issues confronting the 120th Legislature with an eye towards greater understanding of the policy alternatives available to state policymakers, including a brief analysis of the relevant policy options and a summation of the decision points related to these policy issues. In developing its preliminary recommendations for further review of the decision to transition to a new school funding formula based on the EPS model, the Special Committee was charged with examining the following policy issues:

- A. The so-called “hold harmless” or “hardship cushion” provisions or other provisions for defining a maximum loss of state subsidy;
- B. The efficacy of using an “income factor” as a mechanism to determine the fiscal capacity of a local school administrative unit;
- C. The efficacy of using regional adjustments, including a cost-of-living adjustment, cost-of-education adjustment;
- D. The efficacy of using other adjustments, including an adjustment for geographical isolation, transportation, special education, English as a Second Language, and free-and-reduced lunch;
- E. The establishment of and adjustments to the per pupil guarantee amounts and targets;
- F. The framework underpinning the use of so-called “quintile analysis”, including the redefinition of such analyses;
- G. The efficacy of achieving “majority state funding” or the intent of the Legislature that the state share shall provide at least 55% of the combined state and local funding;
- H. The need to simplify the school funding formula and to make the formula more comprehensible;
- I. The need to connect to or interact with the “Education Funding Reform” Study proposed by the Taxation Committee; and

- J. The consideration of other issues that may include, but not be limited to, state and local financing of the construction and renovation of school facilities, the teacher retirement system and the retired teachers' health insurance programs.

The Special Committee was directed to prepare and submit a report on its preliminary findings relating to the financing of kindergarten through grade 12 public education in the State, along with any other material and recommendations that Special Committee members may wish to submit, to the President of the Senate and the Speaker of the House of Representatives by December 31, 2001.

Following the development and approval of the work plan required by the Legislative Council, the Special Committee was convened on July 24, 2001 and held five additional meetings on the following dates: August 30, 2001, September 27, 2001; November 1, 2001, November 27, 2001 and January 11, 2002. A copy of the work plan is attached as **Appendix B**. The Education Committee consists of 14 members, most of who were able to participate in the interim study meetings.

The Special Committee was provided with staffing assistance by the Office of Policy and Legal Analysis ("OPLA") and also requested technical assistance from the DOE, the SBE and the Maine Education Policy Research Institute ("MEPRI" or the "Institute"). In addition to the data compiled and provided by representatives of these entities, the Committee benefited tremendously from the analyses and information provided by members of the state board's EPS Committee and its several sub-committees, which were ably assisted by MEPRI researchers from the University of Southern Maine and the University of Maine. The Special Committee also received information provided by the State Planning Office and the Maine Education Association. A list of resource people who presented information to the Special Committee is attached as **Appendix C**.

The Special Committee used the first meeting to review the purposes of the study, including the work plan approved by the Legislative Council. The DOE provided Legislators with a copy of the updated "School Funding Tool Kit." DOE staff also presented a primer regarding the recent history of school funding in the State, including a description of what is included and excluded in the state share in Maine and other states; and an overview of the transition to an EPS model for school funding. Special Committee members turned their attention during the next four meetings on reviewing and discussing the information gathered by DOE, SBE, MEPRI and Special Committee staff regarding the legislative history and policy alternatives related to the K-12 public education finance issues identified in the work plan. During its sixth and final meeting, the Special Committee reviewed the legislative history and policy alternative summaries prepared by Special Committee staff. Beyond reaching a consensus to accept these policy issue summaries, the Special Committee was briefed by the DOE on the Commissioner's recommended funding level for K-12 education in fiscal year 2002-03 and also conducted a work session on the school funding reform bills carried forward from the First Regular Session.

The Legislative Council authorization for the Special Committee study established December 31, 2001, as the reporting date of the Committee to the 120th Legislature. Due to a request from the state board and the department that more time was needed to conduct further

data analysis prior to establishing and reviewing preliminary, statewide cost projections for the implementation of the proposed EPS model, the Special Committee members agreed to request permission to schedule the final meeting after the date for the January 2002 state board meeting. The Special Committee chairs petitioned the Legislative Council for an extension of the reporting deadline, and were granted an extension until January 15, 2002.

II. BACKGROUND

In 1997, the 118th Legislature enacted, and the Governor signed into law, a bill directing the state board to convene a committee to develop a plan for funding K-12 public education based upon the concept of “essential programs and services”, an adequacy approach to school funding policy. This section of the report will provide background information related to the sequence of events, including legislative actions and state policy research activities that preceded the Special Committee review of the “essential programs and services” model.

The following legislative history summarizes the provisions contained in the budget bill that launched this effort, as well as subsequent legislation regarding the further study and analysis of the model and the transition toward a school funding formula based on the essential programs and services model as the way to reach the state policy goal of providing an adequate level of resources to provide each child in the State with an equal opportunity to achieve the state learning standards.

A Recent Legislative History Related to the “Essential Programs & Services” Model

Public Law 1995, Chapter 958, Part J. Public Law 1997, chapter 24, part J directed the state board to develop for the Legislature an implementation plan for funding “essential programs and essential services” based on the criteria for student learning developed by the Task Force on Learning Results and established in Public Law 1993, chapter 290. The law also specified that the implementation plan included the establishment of a system to measure and ensure that schools were held accountable for student learning results. It further specified that the state board must present its plan and implementing legislation to the Education Committee by December 1, 1996; and authorized the Education Committee to report out a bill based on the state board plan.

Public Law 1997, Chapter 24, Part X. Public Law 1997, chapter 24, part X directed the state board to study the “essential programs and essential services” model for school funding beginning July 1, 1997. The law also accomplished the following:

1. It directed the state board to develop for the Legislature an implementation plan for funding essential programs and essential services based on the criteria for student learning developed by the Task Force on Learning Results and established in Public Law 1995, chapter 649 and in rules adopted by the state board and Department of Education;
2. It specified that the implementation plan must include the establishment of a system to measure and ensure that schools are held accountable for student learning results;
3. It appropriated \$75,000 to the state board for the development of an implementation plan for funding essential programs and essential services;
4. It specified that the state board must present its plan and implementing legislation to the Education Committee by January 1, 1998 and authorized the Education Committee to

report out a bill based on the state board proposal; and

5. It authorized the Education Committee to report out a bill by June 30, 1997, in which a schedule and process for studying the school funding formula was established.

Resolve 1997, Chapter 61. Resolve 1997, chapter 61 directed the State Board of Education to establish a 10-member committee to study the school funding formula. The resolve directed the state board committee to accomplish the following:

1. To review the report presented by the Commissioner of Education to the Joint Standing Committee on Education and Cultural Affairs regarding the current methods used to calculate the income and cost-of-living adjustment factors. The state board committee's findings and any recommendations were to be submitted to the Legislature no later than January 1, 1998; and
2. To review the essential programs and services plan presented by the state board, pursuant to Public Law 1997, chapter 24, Part X, section 1, to the Education Committee for the purpose of developing an adequate and equitable method to fund essential programs and services. The state board committee was to submit its findings and recommendations to the Legislature no later than January 15, 1999; and the Education Committee had the authority to report out a bill based on the SBE recommendations.

Public Law 1999, Chapter 401, Part GG. Public Law 1999, chapter 401, part GG, sections GG-11, GG-12 and GG-13 directed the State Board of Education to determine the school funding data and school-level reporting data needed to prepare for and monitor the implementation of the essential programs and services model. The law also required the state board to continue to research local school practices across the State and in other states in order to make recommendations to improve the State's system of school funding. The law also accomplished the following:

1. It documented the recommendations of the State Board of Education and the essential programs and services committee that a new approach to school funding should establish and measure the resources utilized in "prototypical" high-performing elementary, middle and secondary schools in Maine; and that this approach to identifying needed programs and services and their costs, referred to as the "essential programs and services" model, consists of the resources needed to fund all necessary programs and services, including instructional and support staffing needs and other material needs;
2. It directed that the determination of these resource levels must reflect, where available, data that is representative of Maine schools; and recognized that the essential programs and services model must be used to determine the amount of financial resources that must be available to each school unit and that the model should serve as the foundation for calculating both state and local contributions to K-12 public education;

3. It provided that, beginning July 1, 1999, the state board shall work with the Department of Education to determine the data that will be needed to calculate annual funding of school units in accordance with the cost-based essential programs and services model developed by the state board and described in its January 1999 report to the 119th Legislature. The department was to implement changes in its current computer systems for data collection and data use that comply with these determinations;
4. It directed the state board to provide interim reports on its work to the joint standing committee of the Legislature having jurisdiction over education and cultural affairs by January 14, 2000 and by January 15, 2001; that a final report must be provided by July 2, 2001; and that necessary data collection changes must be completed so that appropriate funding data can be reported to the department after July 1, 2003;
5. It provided that the state board conduct research on local school policies and expenditures on school transportation, special education, vocational education, efficiency of school operations and school performance; and that the research must include pupil characteristics and school unit characteristics and how these factors relate to school unit policies and levels of expenditure;
6. It directed that the state board, in conjunction with the Maine Education Policy Research Institute, study practices in other states regarding the amounts and types of state and local revenues used to fund public education, the use of a regional "cost of education" adjustment and how the various states calculate and use an income measure in the school funding formula;
7. It further directed that the state board develop recommendations on how its findings may be used to improve Maine's system of school funding; and directed that the state board provide to the Education Committee the following reports according to the following schedule:
 - A. Transportation. A final report by July 3, 2000 on transportation, including bus purchases and transportation operating costs;
 - B. Special education. An interim report by July 3, 2000 and a final report by July 2, 2001 on the extent of consistency in the identification of special education needs statewide and the efficient delivery of special education services;
 - C. Best practices. An interim report by July 3, 2000 and a final report by July 2, 2001 on best practices relating to efficiency of school operations and high-level school performance;
 - D. Vocational education. A final report by July 3, 2000 on vocational education, including a preliminary analysis of program delivery, program costs and access to vocational education opportunities across the State and a plan for more in-depth

research;

E. Revenue to fund public education. A final report by July 3, 2000 on practices in other states regarding the types and amounts of revenue used by local education organizations and by state governments to fund public education;

F. Use of regional "cost of education." A final report by January 3, 2000 on practices in other states regarding the use of a regional "cost of education" adjustment; and

G. School funding formula. A final report by January 3, 2000 on practices in other states regarding how to calculate and use an income measure in the school funding formula.

Legislation Considered During the First Regular Session of the 120th Legislature

LD 1747, An Act Regarding School Funding Based on Essential Programs & Services. As mentioned above, this bill proposed to establish a timeline for transitioning to a new school funding approach, based on the EPS model, in order to provide all children with an equitable opportunity to access the resources necessary to achieve the high standards of Maine's system of Learning Results. The bill further proposed to accomplish the following:

1. It proposed to define the core components of essential programs and services, including those elements to be funded on a per-pupil basis, resources for specialized student populations, major cost components to be determined on other than a per-pupil basis and targeted grants;
2. It proposed to provide that funding essential programs and services is a state-local partnership, and that local school administrative units retain the authority to determine how to expend funds once they are received from the State, with the exception of certain targeted grants;
3. It proposed to provide for a report from the State Board of Education and the Commissioner of Education on a comprehensive transition plan, including revisions to the school finance laws, to be submitted in January 2002.

While the FY 2001-02 and FY 2002-03 supplemental budget bill included a General Fund appropriation of \$150,000 in fiscal year 2001-02 (contingent on availability of unappropriated surplus funds at the end of fiscal year 2000-01) to the State Board of Education to continue the implementation of essential programs and services model (see P.L. 2001, c. 439, Pt EE, Sec. EE-2, subsection 18), the substantive provisions of this bill "died" on the special appropriations table.

Other School Funding Bills. The Education Committee also considered a number of bills related to reforming the school funding formula during the First Session of the 120th Legislature.

These bills proposed the following changes to the school funding formula:

1. The level or amount of state funding for the GPA program, including proposals that the State should achieve “majority funding” for K-12 public education and proposals to fully-implement the state-mandated system of Learning Results;
2. The distribution of the level of state subsidy appropriated to the GPA program, including how the funding formula determines local “ability to pay” for K-12 public education (i.e., the weighting for property as a “proxy” for local fiscal capacity and the weighting for income as a “proxy” for fiscal capacity);
3. The costs and benefits of using “hold harmless” or “hardship cushion” provisions; or other provisions for defining the “maximum loss” of state subsidy; and
4. The efficacy of achieving “majority state funding” or the intent of the Legislature that the state share shall provide at least 55% of the combined state and local funding.

Given the timeline for the state board report to the Legislature regarding the transition to a school funding formula based on an EPS model, and the urgency surrounding the proposed legislation considered by the education committee during this legislative session, the Education Committee decided to seek authority from the Legislative council to conduct the special study of school funding issues.

Summary of the Proposed “Essential Programs & Services” Model Components Recommended by the State Board of Education

Definition of Essential Programs and Services

Based on the original EPS Committee recommendations and subsequent fine-tuning by the state board, the following definitions for essential programs and essential services have been forwarded to the Education Committee as part of the EPS model. These definitions are:

Essential Programs. Essential programs are those programs and courses that Maine schools need to offer to all students so that they may meet the Learning Results standards in the eight Learning Results content areas of:

- | | |
|--------------------------------|-----------------------------------|
| a. Career Preparation | e. Modern and Classical Languages |
| b. English Language Arts | f. Science and Technology |
| c. Health & Physical Education | g. Social Studies |
| d. Mathematics | h. Visual and Performing Arts |

Essential Services. Essential services are those resources and services required to insure that each Maine student is offered an equitable opportunity to achieve the Learning Results standards contained in the eight essential programs. These resources and services are categorized into the following components:

A. School Personnel

1. Regular classroom and special subject teachers
2. Education technicians
3. Counseling/guidance staff
4. Library staff
5. Health staff
6. Administrative staff
7. Support/clerical staff
8. Substitute teachers

B. Supplies and Equipment

C. Resources for Specialized Student Populations

1. Special needs pupils
2. Limited English Proficiency (LEP) pupils
3. Disadvantaged youth
4. Primary (K-2) grade children

D. Specialized Services

1. Professional development
2. Instructional leadership support
3. Student assessment
4. Technology
5. Co-curricular and extra-curricular student learning

E. District Services

1. System administration
2. Maintenance of operations

F. School Level Adjustments

1. Vocational education
2. Teacher educational attainment
3. Transportation
4. Small schools
5. Debt services

In addition to the “essential services” components listed above, the state board and the Special Committee considered the following policy issues as potential candidates for an “Other Adjustments” category:

1. Regional cost of education adjustment
2. Teacher recruitment and retention incentives
3. Regionalization incentive

While these policy issues were reviewed during this study, neither the state board nor the Special Committee formally endorsed a specific recommendation to include these adjustments as Essential Services components in the EPS model. Instead, “placeholders” for these items were added to the EPS model and discussion on these items was tabled until later in the 2nd Session of the 120th Legislature.

Prototypical School Models

The EPS Committee developed three prototypical schools and grade configurations to facilitate the EPS model building process. The EPS Committee based the number of students designated at each prototypical school level on actual, average school sizes found in Maine schools. These three prototypical schools are:

| <u>School Level/Grades</u> | <u>Number of Students</u> |
|---------------------------------|---------------------------|
| Elementary School -- Grades K-5 | 250 |
| Middle School -- Grades 6-8 | 400 |
| Secondary School -- Grades 9-12 | 500 |

Using these three grade-configurations as prototypical schools, the EPS Committee defined the levels of resources needed for programs and services in each of these schools to ensure that all students would have equitable opportunities to achieve the Learning Results. These recommendations reflect the best judgment of the state board based on the EPS Committee report of the types and level of resources needed in each Maine school. While this prototypical school framework may provide a template for allocating resources, it is not intended to dictate local practice. Educational leaders and school board members in local school units, in consultation with their local communities, are in the best position to determine the specific level of resources, programs and services necessary to meet the needs of their children in achieving the Learning Results standards.

The EPS model also used teacher to student ratios as a method of describing the amount of teacher resources needed in a school. Research conducted for the EPS committee found that average teacher-student ratios found in Maine schools were approximately 1-18 for grades K-8 and 1-16 for grades 9-12 (please note that these are teacher-student ratios, not class sizes). Consistent with recommendations of the 1994 Governor's Task Force and the 1995 Rosser Commission, the EPS Committee recommended teacher-student ratios higher than current practice. The state board agreed with the EPS Committee in its conclusion that additional resources are needed in order for all students to have an opportunity to achieve all the Learning Results; and further that these additional resources should be devoted to achieving *lower* teacher-student ratios. The EPS Committee concluded that the FTE (full-time equivalent) teacher-student ratios (excluding special education) in the EPS model should be as follows:

| <u>Grade Level</u> | <u>FTE Teacher-Student Ratio</u> (Regular teachers & subject specialists) |
|--------------------|--|
| Grades K-5 | 1-17 |
| Grades 6-8 | 1-16 |
| Grades 9-12 | 1-15 |

A framework of the EPS model development for the three prototypical schools, including the original and revised EPS components, and the recommended resource levels for each prototypical school, is attached as **Appendix D**.

General Purpose Aid -- Block Grant vs. Categorical Grant Funds

Currently, Maine school funding statutes require local school units to spend state "general purpose aid" subsidy only for school purposes. School unit subsidy allocations are made based on a complex series of funding formulas for:

- ❖ Operating costs (personnel, materials and supplies);
- ❖ Program costs (special education, vocational education, transportation, early childhood education, etc.);
- ❖ Debt service costs; and
- ❖ A series of subsidy adjustments for special student populations (out-of-district placements, state agency clients, etc.) or unique school unit factors (geographically-isolated or small schools).

State "general purpose aid" subsidy is, in essence, a block grant that local school units receive to supplement their locally-generated revenues. While they have discretion in expending this state subsidy, they are required to use state subsidy only for educational expenditures.

The EPS model components and their particular costs were used in determining a per pupil operating cost for different types of students. Under this model, each local school unit would receive a total state subsidy based on a yet-to-be determined portion of these expenditures. For the most part, how a local school unit distributes this total state subsidy among schools, programs and services within the school unit will be a local decision (as it is under the current school funding formula). While Maine lawmakers are considering shifting to an adequacy model of school funding, a few categories of "targeted" state aid have been proposed. In contrast to the block grant type of state "general purpose aid" subsidy for most educational expenditure items, the following "categorical funding" items would require that local school districts spend specific allocations of state aid for the following specific costs:

- ❖ K-2 primary grade education -- to provide additional support for smaller class sizes and literacy programming; and
- ❖ Assessment of student performance – to provide funds to implement the local component of the comprehensive state and local assessment systems; and
- ❖ Learning technology -- to provide for the lease and/or purchase of certain learning technology, including hardware, software, etc.

Resources for Specialized Student Populations

In order to insure that *all* students have equitable opportunities for achieving the Learning Results, additional resources are required to support programs for specialized student

populations. These specialized populations are children with special education needs, limited English proficiency (LEP) students, disadvantaged youth, and primary grade children (grades K-2). School units would receive an additional allocation of resources for children with specialized needs in accordance with a “weighting procedure” included in the EPS model.

Weighting procedures, in effect, adjust the pupil count to provide a better reflection of a school district’s educational need . . . Weights are assigned in relation to the costs of educating the “regular school” pupil. The “regular” pupil is given a weight of one (1.0). Other pupil populations are given weights relative to the “regular” pupil weight of 1.0 to reflect the additional cost of educating these pupils. For example, if a particular category of student has a weight of 1.5, that implies that it costs 1.5 times as much to educate that student as it does the “regular” student.³

The EPS Committee’s revised “state board” weighting for each specialized student group is included in the framework attached as **Appendix D**. Please note that weightings are cumulative for children qualifying for more than one specialized student group. A preliminary EPS model cost estimate for 1999-2000 using the Education Committee version of specialized student group weightings is attached as **Appendix E**.

Status of the Recommendations Proposed by the State Board’s EPS Committee

State board and department officials provided a series of informational briefings and related resource materials to the Special Committee during this review. These presentations provided Legislators with information related to the state board and EPS Committee process, the conceptual foundations of the EPS model, the sources of information used in the design and development of the EPS model and its components including analyses of national studies and Maine study of high-performing and low-performing schools. DOE staff and MEPRI researchers also presented some possible transition scenarios, including cost estimates, to the EPS model to the Special Committee. These preliminary scenarios are attached as **Appendix F**.

Researchers from the Maine Educational Policy Research Institute also provided detailed background papers on many of the policy issues reviewed during the Special Committee study. Please review the types of data and information provided to Special Committee members in the list of resource materials attached as **Appendix C**. Among the unresolved issues remaining before the Legislature, the state board and the department are the following policy issues and policymaking steps that must be addressed as part of the legislative agenda remaining before the 120th Legislature:

1. Developing a process for calculating costs and updating model components and costs;

³ Gold, Smith and Lawton, 1995, p.25 as cited in the final report of the State Board of Education Essential Programs & Services Committee, “Essential Programs and Services: Equity & Adequacy to Improve Learning for All Children” (State Board of Education, 2001, p. 14).

2. Modifying and improving the state system for reporting and collection data;
3. Establishing an accountability system;
4. Formal adoption by Legislature and Governor; and
5. Implementation of a transition plan.

Beyond the outstanding issues that remain in implementing a new school funding formula based on the EPS model, there are several major policy issues that must be addressed by Maine lawmakers. The following policy questions are crucial school finance policy issues that require further review by a number of state policymakers, including the Legislature's Education Committee, the Taxation Committee, the department, the state board and the Maine Revenue Services (or "MRS"), as noted below:

- ❖ Determining the state share of combined state and local general funds for K-12 public education (Education Committee, DOE, SBE);
- ❖ Defining the measure(s) of "ability to pay" to be included in the subsidy distribution formula (Education Committee, DOE, SBE, MRS); and
- ❖ Defining the revenue sources for financing K-12 public education (Taxation Committee and MRS).

The conclusion of the Special Committee study signals the beginning of the "heavy lifting" stage for Maine lawmakers involved in this important effort. State policymakers have before them the awesome task of deciding whether or not to rewrite the school funding formula based on the EPS model. This proposed school funding reform represents significant change for Maine educational policy. The next section of this report presents preliminary analysis of the first two unresolved items listed above.

Preliminary Statewide Cost Estimates to Implement the EP&S Model

As part of the state board review of the transition to a school funding formula based on an EPS model, the DOE and MEPRI staff have developed preliminary statewide cost estimates of implementing the current version of the EPS model as requested by the Education Committee as part of its Special Committee review. Two sets of preliminary cost estimates were developed:

1. The first estimate was based on fiscal year 1999-2001 educational expenditures; and
2. The second set of estimates were based on a hypothetical scenario which includes the assumption that 6% annual increases in GPA appropriations would be made for each year of the fiscal year 2003-04 through fiscal year 2006-07 period.

Copies of the preliminary statewide cost estimates of implementing the current version of the EPS model are included in **Appendix F**. For the purposes of this part of the Special Committee report, the following information represents a small sample of the findings from the preliminary statewide cost estimates:

- ❖ Compared to the actual combined state and local expenditures of \$1,414,748,147 in fiscal year 1999-2000 for K-12 education, the estimated combined state and local expenditures to implement the EPS model in fiscal year 1999-2000 for K-12 education would have been \$1,575,351,592 and would have required an additional \$160,603,445 in combined state and local revenues or a 11.35% increase over actual expenditures;
- ❖ Based on the hypothetical scenario where state appropriations for GPA increase by 6% and local property taxes increase by 1% for fiscal years 2003-04 to 2006-07, the following preliminary statewide estimates consider the projected full costs of the EPS model and levels of the GPA subsidy and total local property tax revenue increases required to achieve full funding to implement the EPS model by fiscal year 2006-07:

| <i>Fiscal Year</i> | <i>EPS Model Costs</i> | <i>State Spending GPA Appropriations (and % Increase)</i> | <i>Local Spending Property Taxes (and % Increase)</i> | <i>State+Local Spending as a % of EPS</i> |
|------------------------|------------------------|---|---|---|
| (1) | (2) | (3) | (4) | (5) |
| 1999-00 | \$1,575,351,592 | \$625,785,284 | \$788,962,863 | 90% |
| 2000-01 | \$1,605,968,780 | \$664,161,849 | \$840,951,568 | 94% |
| 2001-02 | \$1,643,186,809 | \$701,888,438 | \$849,350,896 | 94% |
| 2002-03 | \$1,679,619,993 | \$744,001,744 (6%) | \$857,750,224 (1%) | 95% |
| 2003-04 | \$1,711,599,168 | \$788,641,849 (6%) | \$866,149,551 (1%) | 97% |
| 2004-05 | \$1,749,572,132 | \$835,960,360 (6%) | \$874,548,879 (1%) | 98% |
| 2005-06 | \$1,789,185,707 | \$886,117,981 (6%) | \$882,948,207 (1%) | 99% |
| 2006-07 | \$1,830,632,595 | \$939,285,060 (6%) | \$891,347,535 (1%) | 100% |

For further details on assumptions regarding these projections, please see **Appendix F**.

The following section of this report presents the legislative history and summary of the several policy alternatives that the Special Committee reviewed during this study. These school funding policy issues represent the relevant policy questions that state policymakers must resolve during the 2nd Session of the 120th Legislature.

III. SUMMARY & ANALYSIS OF SCHOOL FUNDING FORMULA POLICY ISSUES

The primary purpose of the Special Committee review was to afford Education Committee members with the opportunity to receive, digest and evaluate the research findings and policy recommendations of the State Board of Education and the Department of Education related to transitioning to a school funding formula based upon the “essential programs and services” model. The scope and magnitude of the policy decisions pending before the 120th Legislature are considerable. State policymakers face an historic occasion in which they can make significant changes to the state policies related to the financing of public education. While this Special Committee review provided Education Committee members with an uninterrupted period of time to focus exclusively on the depth and breadth of K-12 school finance policies, the proposal requesting Legislative Council approval for the study provided that the report of the interim study would include an analysis and summation of the findings and preliminary recommendations related to the multifaceted school finance policies that the Education Committee will formally consider during the Second Session of the 120th Legislature.

Consistent with this charge to the Special Committee, this section of the report provides a summation of the numerous policy issues related to the levels of state subsidies appropriated for school funding, the distribution of state subsidies under the existing school funding formula and the establishment of a new school funding formula based on the EPS model. Also included is an updated version of the EPS model, with revised recommendations endorsed by the State Board of Education and accepted by the Special Committee regarding the per-pupil guarantee amounts and weighted-pupil counts for specialized student populations.

The Education Committee study proposal directed that the Special Committee report include analyses of the following policy issues:

- A. The so-called “hold harmless” or “hardship cushion” provisions;
- B. The efficacy of using an “income factor” as a mechanism to determine fiscal capacity;
- C. The efficacy of using regional adjustments;
- D. The efficacy of using other adjustments, including an adjustment for geographic isolation, transportation, special education, English as a Second Language, and free-and-reduced lunch;
- E. The establishment of and adjustments to the per pupil guarantee amounts and targets;
- F. The framework underpinning the use of so-called “quintile analysis”;
- G. The efficacy of achieving “majority state funding” in K-12 school financing;
- H. The need to simplify and to make the school funding formula more comprehensible;

- I. The need to connect to or interact with the “Education Funding Reform” Study proposed by the Taxation Committee; and
- J. The consideration of other issues that may include, but not be limited to, state and local financing of the construction and renovation of school facilities, the teacher retirement system and the retired teachers’ health insurance programs.

The final section of this report presents analyses of these issues that remain under consideration by the 120th Legislature, including the current law, the policy mechanisms related to these policies and a summary of the relevant policy alternatives and decision points regarding these issues.

Policy Issue A: “Hold harmless” or “hardship cushion” provisions or other provisions for defining a maximum loss of state subsidy.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|---|---|---|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> 20-A, § 15602, sub-§§ 4-15 and § 15659 include statutory provisions enacted between 1990 and 2001 to adjust (either reduce or supplement) the amount of GPA subsidy distributed to a school administrative unit through the school funding formula; <u>Note:</u> The DOE “School Funding Tool Kit” updated July, 2001 for this Special Committee review, contains a detailed history, including the appropriation amount for the subsidy adjustment and the criteria established to calculate the subsidy cushions enacted between FY91 and FY02 (see “A Brief History of How Subsidy Cushions were Accomplished”) | <ul style="list-style-type: none"> Between FY91 and FY02, the purpose and types of subsidy adjustments varied as adjustments were deemed necessary to reduce or supplement the existing level of GPA subsidy allocations due either to a shortfall or increase in available state General Fund revenues or changes to the school funding formula; “Hold harmless” adjustments deemed necessary to keep school administrative units “whole” by providing at least the same amount of state subsidy that it received in the preceding fiscal year despite changes in local demographics (fiscal capacity or pupil count); “Hardship cushion” adjustments deemed necessary to soften the fiscal impact of statutory changes to the school funding formula; “Maximum loss” adjustments proposed during the 120th Legislature; while not adopted, suggested that a subsidy cushion should provide predictability, credibility and fairness by limiting a school unit’s annual loss in GPA subsidy to a maximum percentage of the prior year’s level of state subsidy (e.g., no more than a 10% loss). | <ol style="list-style-type: none"> How do the various subsidy cushion concepts relate to an EPS approach to school funding? If state policymakers decide to adopt an EPS model, what type(s) of subsidy cushion(s) should be established to implement this new model over the transition period? What are the legitimate factors for which a subsidy cushion should provide protection; and what criteria should be established to determine which units are eligible for the subsidy adjustment? How should the amount of the subsidy cushion be determined? |

Policy Issue B: The efficacy of using an “income factor” in determining the fiscal capacity of taxpayers in a school administrative unit.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|---|---|---|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <p><u>School Finance Act of 1985</u></p> <ul style="list-style-type: none"> 20-A, c. 606, § 15603, sub-§ 11-A defines “fiscal capacity” for program costs and debt service as the ability of a municipality to raise property tax revenues, measured as the average of the state valuation amounts for the 2 most recent years prior to the year of funding; <p><u>School Finance Act of 1995</u></p> <ul style="list-style-type: none"> 20-A, c. 606-A, § 15652, sub-§ 6 defines “property fiscal capacity” for operating costs as the lesser of the average of the state valuation amounts for the 2 most recent years or the state valuation amount for the most recent year; 20-A, c. 606-A, § 15657, sub-§ 1 stipulates that each school unit’s per-pupil state valuation for operating costs be multiplied by a “property 20-A, c. 606-A, § 15657, sub-§ 2 directs that each school unit’s median household income be divided by the statewide average median household income, and that this result be multiplied by an 0.15 “income weight”; In 1998, following concerns with the validity of data used to derive income and “cost-of-living adjustment” (COLA) factors and the SBE “Income and Cost of Living Report” recommendations, the Legislature repealed the COLA and directed DOE to “freeze” the local median household income data at the FY98 level until the final income figures from the 2000 census are established. | <ul style="list-style-type: none"> <u>Use of Income Factor as a Measure of Fiscal Capacity</u> -- while current law includes the local median household income within a municipality as a 15% factor in determining the fiscal capacity of the municipality to raise local revenues for school funding, critics note concerns with the capacity of the State to collect and update income data on a municipality-by-municipality basis and to measure income in a fair, complete and accurate manner; <u>Use of Property Value as a Measure of Fiscal Capacity</u> – while current law includes the state valuation of property within a municipality as an 85% factor in determining the fiscal capacity of the municipality to raise local revenues for school funding, critics note concerns with the process of determining local and state assessments of property, including the inequitable burdens that some property owners bear because of the subjectivity of “judgment calls” in local assessments and because state valuation is based on market value and not necessarily a property owner’s ability to pay current taxes; NH tax policy appears to “export” tax burden to non-resident taxpayers. | <ol style="list-style-type: none"> How should “ability-to-pay” be defined and what mix of state and/or local taxation is necessary to support K-12 education? How should the State measure the fiscal capacity of different classes of taxpayers (residential, commercial, industrial) in a given municipality to fund K-12 education? To what extent should the State base the distribution of state subsidies through the school funding formula on income as compared to property valuation? Is it desirable or technically feasible to achieve “the ideal measure” of income, which would include the income of every resident, all forms of income and be accurate and reliable; or of relative property valuations among rural towns and service center communities? Should we use the school funding formula to address municipal tax questions or are these issues broader tax policy questions beyond the scope of school funding? If changes are made in the present definition, how should any adverse initial impacts be handled? |

Policy Issue C: The efficacy of using regional adjustments, including a cost-of-living adjustment or a cost-of-education adjustment, in the school funding formula.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|--|--|---|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> In 1995, the Rosser Commission recommended that a “cost of education” adjustment be used in the school funding formula -- <i>only for determining operating costs</i> -- to reflect the differences in the cost of purchasing goods and services among geographic regions of the state. While the intent of this recommendation appears to have been to provide an adjustment to the “total foundation” (or “total allocation”) amount in different geographic areas, the Legislature decided to adopt a COLA on the income factor, which serves to determine the local and state shares of this total foundation amount; While the Legislature enacted a COLA in 1995, the provision was repealed in 1999 (see the legislative history in Policy Issue B above). | <ul style="list-style-type: none"> The recommendations of the 1998 SBE Report to repeal COLA and freeze the income factor were based on the concerns that applicable and reliable data were being used in the funding formula. In recognizing that the state valuation of property and income each had advantages and disadvantages as ability-to-pay measures, the report concluded that these factors did serve useful and complementary roles in measuring ability-to-pay and recommended that the 85% and 15% weights remain in the formula; While the old COLA affected the “ability-to-pay” side of the funding formula, a cost-of-education adjustment would have an effect on the “operational cost” side of the funding formula; While EPS Committee analysis of current state practice and data on teacher salaries, home and rent affordability as indicators of regional cost differences was inconclusive, the Education Committee may wish to return to this issue during consideration of the EPS legislation during the 2nd Session of the 120th Legislature. | <ol style="list-style-type: none"> Is there sufficient evidence to warrant the inclusion of a cost-of-education adjustment in the EPS model to address regional cost differences? Can we identify cost differences attributable to educational policies of a local school unit versus other factors such as market forces? Should we update the measurement of median household income (frozen, by law, at the FY98 level) based on the 2000 census figures? Is a per capita measure for income more appropriate than a household measure for income? |

Policy Issue D-1: The efficacy of using an adjustment for geographic isolation.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|--|--|--|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> 20-A, § 15612, sub-§ 2 refers to the geographic isolation adjustment, which is a supplemental allocation from a pool of GPA adjustment funds for reimbursing school units that meet certain criteria related to: <ol style="list-style-type: none"> (1) the size of the school, (2) the distance of the school from other school facilities, (3) unique transportation problems, (4) per pupil expenditures, (5) mills raised for education in the school unit (i.e., local property taxes raised for education); and (6) other relevant factors; As one of several categories of categorical funding under the adjustments category of GPA subsidy, categorical funds targeted for allocation to eligible school units with geographically isolated schools are subject to the level of State general funds appropriated and prorating. | <ul style="list-style-type: none"> EPS study found that, of the 19 states adjusting for geographic isolation in 1990, 11 states (including Maine) adjust for both geography and size; most of the 19 states use a weighting formula to determine the amount of the adjustment; and Arizona uses both a geographic isolation weight and a school type weight in calculating its adjustment; More recent research suggests that as many as 30 states may adjusting for geographic isolation or small schools; with Wyoming as an example of a state that has targeted subsidy adjustments to what are defined as “necessary” small schools (rather than schools that are small by choice); SBE has requested further analysis of the costs of Maine schools that are defined as geographically isolated or small schools to explore the variances between types of schools, school unit mill rate efforts, per pupil expenditures and the implications for student achievement. | <ol style="list-style-type: none"> <u>Note</u>: SBE to conduct further review of EPS Committee research and make recommendations on this adjustment; What are the additional costs of providing an adequate education as defined by the EPS model for students in educated geographically isolated or small schools? Can the adjustment mechanism for such students educated in a geographically isolated or small school be based solely on the merits of adequate funding as compared to local school units choice to maintain such schools only to receive additional GPA subsidies? |

Policy Issue D-2: The efficacy of using an adjustment for transportation costs.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|--|--|---|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> • 20-A, § 15603, sub-§ 26-A, ¶ B includes “transportation operating costs” and “bus purchase costs” as two of several categories of “actual local program costs” that are counted as subsidizable local costs; • As a program cost, transportation and bus purchase costs are reimbursed at roughly 60% of allowable expenditures; • “Transportation operating costs” includes all costs incurred in the transportation of K-12 pupils, including lease costs for bus garage and maintenance facilities and lease-purchase costs that the school unit may apply to the purchase of bus garage and maintenance facilities, when the leases and lease-purchase agreements have been approved by the commissioner, but excluding the costs of bus purchases and excluding all costs not associated with transporting students from home to school and back home each day • “Expenditures for bus purchases” are only those approved by the commissioner. | <ul style="list-style-type: none"> • EPS study found a wide disparity in operating costs for local transportation systems; • Differences in local school unit needs and values have a bearing on expenditures per student per mile; • Implementation of a statewide purchasing system for buses, together with targeted state subsidies, could save \$500,000; • Development of a formal regional approach for the management and control of transportation services and implementing best practices and policies in the areas of organization, planning, fleet management and routing systems can also improve efficiencies; • State should establish cost accounting and standard reimbursement rates based on a combination of the factors identified above. | <ol style="list-style-type: none"> 1. <u>Note:</u> While initial SBE study recommended following current practice, SBE has contracted with a retired school administrator to conduct further analysis of transportation costs; 2. Given limited state resources, state policymakers should establish standards for the distribution of state subsidies while still allowing some degree of local choice to address unique transportation needs of school units; 3. SBE and EPS Committee need to receive report from transportation consultant; and to make recommendations on this issue. |

Policy Issue D-3: The efficacy of using an adjustment for special education costs.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|--|--|--|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> • 20-A, § 15603, sub-§ 26-A, ¶ B includes “special education costs” as one of several categories of “actual local program costs” that are counted as subsidizable local costs and are reimbursed by the State at roughly 60% of allowable expenditures; • Eligible special education costs include the salary and benefit costs of certified professionals, assistants and aides or persons contracted to perform special education services, including preschool handicapped services; the costs of tuition and board to other schools for programs which have been approved by the commissioner; and gifted & talented program costs that have been approved by the commissioner; • 20-A, § 15612, sub-§§ 6 and 11 include provisions for providing a subsidy adjustment for school units with costs for placing special education students in an out-of-district placement that exceed an established “circuit-breaker” level (i.e., 3 times the secondary foundation per pupil operating expense) and are limited to the amount appropriated and are subject to prorating; • 20-A, § 15613, sub-§§ 5 and 6 contain provisions for providing a subsidy adjustment for school unit special education costs for the placement of state agency clients and state wards in a residential placement within the unit; adjustments are limited to the amount appropriated and subject to prorating. | <ul style="list-style-type: none"> • Maine’s current funding approach is a percentage reimbursement model that is supplemented by a pool of funds to adjust GPA subsidy allocations and provide reimbursement to school units with high-cost cases involving severely disabled or multiply disabled students (i.e., out-of-district placements) that qualify under a “circuit-breaker” formula or for the costs of state agency clients and state wards placed in the unit; • To discourage over-identification and persuade school units toward a state prevalence rate, SBE initially recommended uncoupling funding from placement decisions and moving to a census model or “flat” funding approach, where a statewide prevalence rate is established and school units would receive a level of funding regardless of the actual local number of special education students; • Despite an appeals process for local units above the statewide incidence rate, Education Committee members are concerned with providing a “windfall” for local units with prevalence rates below the statewide rate. | <ol style="list-style-type: none"> 1. <u>Note:</u> SBE and Education Committee need to revisit and resolve these issues; 2. Is the census model, with an efficient appeals process, the appropriate policy for Maine? 3. When and how will state policymakers review and revise the statewide incidence rate? 4. Will high-cost cases continue to be handled in a “circuit-breaker” manner where local units are reimbursed for actual expenditures? |

Policy Issue D-4: The efficacy of using an adjustment for English as a Second Language costs.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|--|---|--|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none">• 20-A, § 15612 sub-§ 12-A includes “costs of transitional instruction program using bilingual techniques” provided to students with limited English proficiency (LEP) as one of several categories of “adjustments to the state share of the foundation allocation”;• “Costs of transitional instruction program using bilingual techniques” are the costs of certified instruction programs that teach English as a Second language (ESL) as part of plans approved by the commissioner and these costs are limited to expenditures for providing supplemental instructional support for LEP students;• For subsidy purposes, these costs include the salary and benefit costs of certified teachers with an ESL or bilingual education endorsement who are contracted to provide services as part of an approved transitional instruction program using bilingual techniques; and the salary and benefit costs of education technicians who are under their supervision;• The amounts of the adjustments paid to school units or are limited to the amounts appropriated by the Legislature for these adjustments. | <ul style="list-style-type: none">• Maine provides a pool of GPA adjustment funding for providing supplemental subsidy to school units with qualified students;• Available national data on state funding and LEP programs were used to establish the initial SBE recommendation (please see “Analysis of State Funding and Program Needs for LEP Students”);• While some states use per-pupil expenditure weights ranging from 1.06 in Arizona to 1.4 in the District of Columbia; other states set the level of LEP funding according to the size of the school’s LEP population (e.g., the funding rate varies for populations 1-15 students, 16-164 students to 165 or more students) and the rate ranges from \$3,062 to \$1,531 to \$2,762, respectively;• SBE recommends a 3-tiered, weighting methodology based on these 3 ranges; and further proposes that LEP funding be allowed until a student “tests out” as fluent on one of two LEP tests or 5 years, whichever comes first. | <ol style="list-style-type: none">1. How will student counts be used in combination with funding ranges?2. How often will policy criteria on 5-year time limit be reviewed? |

Policy Issue D-5: The efficacy of using an adjustment for economically disadvantaged student costs.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|---|---|--|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> • 20-A, § 15612 sub-§ 12 includes a “low-income student adjustment” as one of several categories of “adjustments to the state share of the foundation allocation”; • The calculated amount of low-income student adjustment for a school unit is prorated depending on the level of state subsidy the school unit receives, with relatively “low receivers” eligible for \$100 times the allowable pupil count and relatively “high receivers” eligible for \$50 times the allowable pupil count; the allowable pupil count is 20% of the student count in the unit eligible to receive a free or reduced school lunch under the federal program; • The amounts of the adjustments paid to school units are limited to the amounts appropriated by the Legislature for these adjustments and payments to units are prorated if the amount appropriated is insufficient to make full payment to all units. | <ul style="list-style-type: none"> • Current Federal Title I funding and Maine GPA subsidy adjustments provide additional funding for economically disadvantaged students to school units based on the number of students in the unit eligible to receive a free or reduced school lunch under Federal rules; • SBE found that, in addition to Federal Title I funds that provide supplemental funding for disadvantaged students, 40 states have programs that provide “categorical” and “block grant” funding for “at risk” students; • Examples of state models used to disseminate “at-risk” awards included “percentage of foundation” funding models and “flat grant” funding models; • The range of funding weights used for disadvantaged or “at-risk” students varied from 1.015 in New Mexico to 1.5 to 2.0 in New Hampshire; • Federal Title I funding is based on a 1.2 weighting and is also based on the availability of funding appropriated for this program; • SBE endorsed the initial EPS recommendation for a weighting of 1.02, however, after further review, SBE revised this weighting to 1.05. | <ol style="list-style-type: none"> 1. <u>Note</u>: SBE (1.05) and Special Committee (1.15) established different weighting for economically disadvantaged students; and both may need to revisit and resolve this issue; 2. Can Maine afford a 1.15 weighting for economically disadvantaged students? |

Policy Issue E: The establishment of and adjustments to the “per pupil guarantee” target amounts.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|---|--|--|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> • In 1998, legislation required the establishment of an annual “per pupil guarantee” (PPG) be and that the so-called “reduction percentage” for program costs be phased out by FY03; the intent of the 4-year plan was to achieve a PPG matching projected spending and to eliminate the reduction percentage; • 20-A, § 15653 established the PPG at \$4,020 for FY00 and \$4,307 for FY01; and set PPG targets for \$4,687 in FY02 and \$5,204 in FY03; • 20-A, § 15603, sub-§ 26-A established that the reduction percentage must be 15.88% in FY00, 9.97% in FY01, 4.98% in FY02 and 0% in FY03; • Beginning in FY01, if the appropriation and any increase in the mill rate the Legislature determines is needed are not sufficient to achieve both the PPG and the reduction percentage targets, then the PPG and the reduction percentage must advance toward their targets in the same proportion; • The Legislature and each school unit are jointly responsible for contributing to the PPG and meeting the PPG target through a combination of the Legislature's additional contribution and, if needed, an increase in the mill rate used to determine the statewide local share amount of the operating costs allocation, which was set at 7.02 mills for FY01 and later years, unless the Legislature determines an increase is needed to achieve the targeted PPG. | <ul style="list-style-type: none"> • Policy creating targets for the PPG and program cost reduction was established to drive school funding toward actual operating costs and to provide a transition to adequate funding and the EPS model; • Combining additional state and local general funds to achieve adequate funding; this policy tends to pull additional “local option” funds into the funding formula in an equalized manner; • Based on prototypical schools, adequacy brings equitable funding down to the student level where adequate resources are defined as what every child needs on a school by school basis; • EPS model represents a paradigm shift where “equity” is re-defined from equalized dollars to a belief that all schools need adequate levels of resources to allow all students to achieve learning results; • Initial plans called for a phase in from FY04 to FY07, with a fully-implemented new school funding law by FY07; • We have preliminary “statewide” cost estimates to implement EPS model, but the estimates do not address the subsidy distribution issues, including determining ability-to-pay and the resulting state and local shares. | <ol style="list-style-type: none"> 1. What additional funds should be appropriated in FY03? 2. Should the FY03 targets for the PPG (\$5,204) and the targeted reduction percentage (0%) for program costs be maintained? 3. Should there be a subsidy cushion for FY03? 4. Which EPS model components need to be completed so that more complete cost estimates can be produced? 5. What data gathering is necessary at school level to implement this model and is there state and local capacity to provide it as needed? 6. How can state policymakers and representatives of local school units clarify respective roles and the proper policy mechanisms to make adjustments to the school funding formula and subsidy distribution issues? |

Policy Issue F: The framework underpinning the use of so-called “quintile analysis,” including the redefinition of such analyses.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|---|--|---|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> • A “quintile analysis” is an analytical tool used by policy analysts to assess the impact of a particular policy proposal by rank ordering the affected population using a particular variable and then separating the population into 5 groups to compare the impact on these groups (e.g., a given amount of GPA subsidy to be appropriated to local school units in the State or a given subsidy distribution plan that would have an effect on how GPA subsidies would be allocated to local school units in the State); • DOE has developed this analysis as a means of analyzing the impact of proposed changes to the school funding formula on local school units based on the definition of “ability-to-pay” in current law (i.e., (85% state valuation and 15% income); • The current DOE quintile analysis ranks the 285 local school units based on their “ability-to-pay” as measured by the school funding formula and sorts them into 5 groups of 57 school units each, with the “1st quintile” representing the 57 units with the greatest “ability-to-pay” and the “5th quintile” representing the 57 units with the lowest “ability-to-pay”; then, the total amounts for each of the quintiles are compared with the total amounts of the other quintiles to analyze the impact of the proposed school funding formula policies on student equity. | <ul style="list-style-type: none"> • Suzan Cameron, DOE, reviewed the current factors and method used to establish the quintile analysis that DOE provides for proposed GPA funding policies and provided data comparing other factors that could be used to rank order school units, including: <ol style="list-style-type: none"> (1) “Ability-to-pay”; (2) “Per Pupil Valuation”; and (3) “Median Household Income”; • The profile of 1st quintile school units include very small units, as well as 45-57 “minimum subsidy” units; • The profile of 4th and 5th quintile school units include most of the SADs who have relatively lower per pupil costs since more funds go towards classroom instruction; • Impact of a decline in pupil counts seen in 2nd quintile units and the effect of school funding policy on redirecting subsidy from the 2nd quintile to 3rd, 4th and 5th quintiles; • The significance of the increasing value of housing stock as a factor in ranking expenditures per pupil on particular municipalities; • Committee members requested that quintile analyses also consider parallel factors such as local revenues raised for municipal expenditures. | <ol style="list-style-type: none"> 1. Which measures should state policymakers include in evaluating the impact of proposed changes in the school funding formula? 2. What analyses should state policymakers adopt to go beyond the short-term focus of a single year and be able to measure the longer-term impact of changes made in the school funding formula? |

Policy Issue G: The efficacy of achieving “majority state funding” or the intent of the Legislature that the state share shall provide at least 55% of the combined state and local funding.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|---|--|---|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> • <u>Constitutional Duty for School Funding</u> --Constitution provides that school funding is a local requirement “. . . the Legislature are authorized, and it shall be their duty to require, the several towns to make suitable provision, at their own expense, for the support and maintenance of public schools . . .”; • <u>Categories of State Funding for Public Schools</u> -- Current law provides “general purpose aid” state subsidy to be distributed based on local expenditures for program costs, operating costs, debt service costs and adjustments; • Separate state appropriations are also provided to school units for teacher retirement and retired teachers health insurance programs; • <u>State & Local Shares of School Funding</u> --Legislative intent language describes the goal of providing at least 55% of the cost of the “total allocation”, defined as the total of the “foundation allocation” (actual local operating costs and actual local program costs) and the “debt service allocation.” | <ul style="list-style-type: none"> • So-called “55% state share” is misleading; intent is for State to pay 55% of local operating, program and debt service costs, but the “total allocation” does <u>not</u> include state appropriations for adjustments or local option funds raised at the discretion of local taxpayers; • The policy debate ends up confronting the question “55% of what” with opponents left to agree or disagree on the educational funding components to include in the equation; • School finance policy considerations of who pays and who benefits are important, but a state and local finance system should also address statewide policy goals related to developing and maintaining the capacity of the statewide education system and the local school administrative unit and school system to provide reasonable opportunity for each student to achieve the agreed-upon ends of student performance. | <ol style="list-style-type: none"> 1. How will majority state funding improve the achievement of the statewide expectations for the education of Maine’s children? 2. What are the appropriate roles and the capacities of state and local education agencies, policymakers and affected constituencies in financing an adequate educational program that provides reasonable opportunities for each student to learn and achieve? 3. How can all concerned parties come together to resolve the answers to these complex and politically charged questions? |

Policy Issue H: The need to simplify the school funding formula and to make the formula more comprehensible.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|--|--|--|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> • 20-A, c. 606, codified the School Finance Act of 1985; • 20-A, c. 606-A, codified the School Finance Act of 1995; • Since 1996, a number of incremental changes have been made to the school funding formula, included the elimination of the COLA to the 15% income factor, the establishment of the per pupil guarantee and program cost reduction targets by the 119th Legislature and the perennial supplemental adjustments, including hardship cushions and hold-harmless provisions. | <ul style="list-style-type: none"> • Given the unwieldy nature of reconciling c. 606 and 606-A with the myriad incremental changes made to the formula over the past 5 years, comprehending the current formula and -- perhaps more importantly -- proposed changes to the formula has become unnecessarily difficult; • While EPS may provide an opportunity for a more simplified school finance law, the question of how state and local units share the costs of K-12 education must still be determined; • State policymakers should consider time, resources and capacity to make significant changes to school funding formula during the remainder of the 120th Legislature. | <ol style="list-style-type: none"> 1. If Legislature decides to change the school funding formula, then policy direction must be provided specifying how the formula will provide adequate funding, how it will equitably determine state and local shares, and how and when it will implement these changes? 2. When (during the 120th or 121st Legislature) and how (legislative and/or executive branch study commission) will state policymakers propose and review these changes? |

**Policy Issue I: The need to connect to or interact with the “Education Funding Reform” (EFRC)
Study proposed by the Taxation Committee.**

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|--|--|---|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> PL 2001, c. 439, Pt. SSS established the EFRC, a legislative study group formed to develop a comprehensive package of tax reform legislation to update and equalize the method of raising funds for education, including finding ways to reduce the State's reliance on property taxes for K-12 schools; The scope of the EFRC study was limited to investigating sources of revenue to fund K-12 education and <u>not</u> to investigate the existing school funding formula distribution policies or the development of the EPS funding model, which the Education Committee was authorized to review during the interim the same time period; The EFRC was charged with studying alternate sources of revenue for K-12 education that meet the following criteria: <ol style="list-style-type: none"> (1) Provide more state money for education and consequently ensure equal educational opportunities for all students of the State; (2) Provide property tax relief for home owners, farmers and businesses to encourage new businesses to locate to the State and new businesses to expand and to entice more people to live in the State; and (3) Balance the primary methods of raising taxes between the property tax, sales tax and personal income tax. Three members of the Education Committee served on the EFRC study. | <ul style="list-style-type: none"> Education Committee members who served on EFRC provided periodic briefings to the Special Committee; The EFRC recommended that a tax reform proposal be forwarded to the Legislature for further consideration; the proposal consist of two bills: <ol style="list-style-type: none"> (1) One bill is a proposed constitutional amendment authorizing different property tax maximum rates for different classes of property and exempting personal property from property tax if an excise tax is adopted on certain property; and (2) The other bill includes the statutory changes developed by the EFRC and proposes to direct the Taxation Committee of the 121st Legislature to develop additional necessary components of the plan, including special consideration of sales tax base expansion, an excise tax on certain personal property and an education funding stabilization fund to ensure adequate revenues for education costs in the event that economic conditions result in a situation where revenues do not keep pace with education costs. | <ul style="list-style-type: none"> While the transition to a school funding formula based on the essential programs and services model is not explicitly linked to the tax reform legislation proposed by the EFRC, these two initiatives do represent two sides of the same school finance policy “coin”; and reform of either policy will have implications for the other; The Education Committee will need to consider the extent to which the legislation to implement the EPS model as the basis for the school funding formula is or ought to be linked to the proposed tax reform legislation to be considered by the Taxation Committee during the 2nd Session of the 120th Legislature. |

Policy Issue J: Other issues, including, but not limited to, state and local financing of the construction and renovation of school facilities, the teacher retirement system and the retired teachers' health insurance programs.

| LEGISLATIVE HISTORY | SUMMARY OF POLICY ALTERNATIVES | |
|--|--|---|
| Finance Policy -- Current Law | Analysis & Implications | Relevant Decision Points |
| <ul style="list-style-type: none"> • <u>Personnel costs in the EPS model</u> – As the largest category of expenditure in local school unit budgets, compensation costs for teachers and other educational personnel remain a critical area for further review by state policymakers. • <u>Teacher recruitment and retention incentives</u> – DOE and SBE also considering finance policies that would provide incentives to recruit and retain teachers, particularly in program and geographic areas where there are shortages of qualified teachers. • <u>Regionalization incentives</u> – DOE and SBE are also considering appropriate incentives that the State might use -- such as eligibility for more GPA subsidy and capital funds for school facilities or transportation - - to promote high levels of student outcomes and efficient use of limited fiscal resources. | <ul style="list-style-type: none"> • Need to periodically review the personnel-to-student ratios in the EPS model; • Also need to consider implications of state and local costs for the teacher retirement system and the retired teachers' health insurance program; • Need to revisit and review teacher recruitment and retention incentives. • Also need to revisit the cost-of-education adjustment as a factor in recruiting and retaining qualified teachers in all geographic areas of the State; • DOE to propose review of organizational structure and functions that can provide adequate instructional opportunities for all students while also ensuring a high level of operational efficiency, including the history of regionalization in Maine related to the formation of districts and participation in regional collaboratives and the benefits of regional collaboratives in other states that may be applicable to Maine. | <ol style="list-style-type: none"> 1. What adjustments need to be made in personnel salaries to account for years of experience and educational attainment? 2. What adjustments, if any, need to be made in personnel salaries to account for regional differences? 3. What adjustments, if any, need to be made in the teacher salary scale to provide for recruitment and retention incentives? 4. What incentives, if any, should be made available to local school units to promote the regionalization of certain programs or services so that Maine schools will achieve both high levels of student outcomes and the efficient use of limited fiscal resources? 5. Beyond the fiscal impact of regionalization, what other costs and benefits should be measured when considering a policy to provide financial incentives for regionalization? |

APPENDIX A

Education Committee Proposal Authorized by Legislative Council

Joint Standing Committee on Education & Cultural Affairs
120th Legislature
(Revised 6-13-01)

Whereas, the system for financing kindergarten through grade 12 public education and distributing state subsidy through the general purpose aid for local schools program has undergone considerable change in recent years as federal, state and school administrative unit policies have evolved and state funding levels have shifted; and

Whereas, the State Board of Education and the Department of Education have been studying the efficacy of designing a new school funding formula based on the so-called “Essential Programs and Services” model which promises to provide every child in the State, regardless of their residence, will an adequate level of funding so that they will have an equal opportunity to learn and to achieve the high standards established under the system of Learning Results; and

Whereas, Maine’s school finance laws applicable to the State and to local school administrative units that provide public education programs and services to Maine students have not undergone comprehensive legislative review in recent years in light of the changes within the public education system; and

Whereas, such a review is needed in order to ensure that Maine’s school finance structure is fair and equitable, and to ensure that the State of Maine is competitive with other states in providing high quality, cost-effective public education; now, therefore, be it

Established, that the Special Committee on Financing Kindergarten through Grade 12 Public Education is established as follows:

- 1. Committee established.** The Joint Standing Committee on Education & Cultural Affairs, referred to as the “committee,” is established.
- 2. Membership.** The committee consists of the 14 members of the Joint Standing Committee on Education & Cultural Affairs, who shall participate to the extent that their schedule and availability allows.
- 3. Chairs.** The Senate chair and the House chair, or their designees shall preside over committee meetings.
- 4. Convening of committee.** The chairs of the committee shall, after approval of the Legislative Council and notice to the Presiding Officers, meet and convene the first meeting of the committee, which must occur no later than July 31, 2001.
- 5. Duties.** The committee shall conduct an internal review of Maine laws applicable to the financing of kindergarten through grade 12 public education and the system for distributing

as proposed by LD 1747.

6. Workplan. Following approval of the Legislative Council and notice to the Presiding Officers, the chairs of the committee may convene not more than two committee meetings to

finalize a workplan for the study. The planning meetings must be held prior to the adjournment *sine die* of the First Regular Session of the 120th Legislature.

7. Meetings. The committee shall conduct meet at least not more than 6 times. In conducting its duties, the committee shall endeavor to coordinate its meeting schedule with the State Board of Education's "Essential Programs and Services" study committee established by PL 1999, c.401, part GG, Secs. GG-11, 12 and 13. In addition, the committee may meet with any individuals, departments or institutions it considers appropriate, including with members of the Education Funding Reform Committee established pursuant to enactment of LD 970, at times and locations approved jointly by the President of the Senate and Speaker of the House of Representatives. Meetings of the Committee are public meetings under 1 MRSA §401 et seq. and are subject to public notice.

8. Staff assistance. Upon approval from the Legislative Council, the Office of Policy and Legal Analysis and Office of Fiscal and Program Review shall provide necessary staffing services to the committee. The committee may request, as appropriate, the assistance of the Department of Education, the State Board of Education, the Maine Education Policy Research Institute, and other state agencies as appropriate.

9. Reimbursement. Members of the committee are entitled to receive the legislative per diem, as defined in the Maine Revised Statutes, Title 3, section 2, and reimbursement for travel and other necessary expenses for attendance at meetings of the committee.

10. Budget. The chairs of the committee, with assistance from the committee staff, shall administer the committee's budget. Within 10 days after the adjournment *sine die* of the First Regular Session of the 120th Legislature, the committee shall present a work plan and proposed budget to the Legislative Council for approval. The committee may not incur expenses that would result in the committee's exceeding its approved budget. Upon request from the committee, the Executive Director of the Legislative Council shall promptly provide the committee chairs and staff with a status report on the committee's budget, expenditures incurred and paid and available funds.

11. Report. The committee shall prepare and submit a report on its findings and preliminary recommendations relating to the financing of kindergarten through grade 12 public education in the State, along with any other material and recommendations that committee members may wish to submit, to the President of the Senate and the Speaker of the House of Representatives by December 31, 2001, a copy of which shall be provided to the Legislative Council.

APPENDIX B

Work Plan Established for the Special Education Committee Study

Education Committee Study to Review the Transition to a New School Funding Formula Based on Essential Programs & Services

WORK PLAN

(Revised 12-27-01)

Session 1 -- July 24th: School Funding Primer and Policy Issues E, G & J

A. School funding primer

- Description and comparison of 1985 & 1995 school funding laws
- Description of funding formula components
- Recent history of adjustments to funding formula components (i.e., "hold harmless" and "hardship cushion" provisions)
- Comparison of current school funding law with proposed EP&S model

B. State/local share of school funding

- Description of state/local share breakdowns in other states (including what is included/excluded)
- Description of state/local share breakdown in Maine (including what is included/excluded)

Session 2 -- August 30th: Policy Issues B, C & D

A. Fiscal capacity/ability-to-pay

- Ways of determining ability-to-pay, and analysis of the strengths and weaknesses of each
- Description of ability-to-pay measures in other states
- Description and analysis of relationship between income measure and property valuation measure in Maine
- Description and analysis of "quintile analysis" framework

B. Use of cost adjustments in funding formulas

- Description of cost-of-living adjustments and cost-of-education indices
- Description of cost adjustments used in other states
- Analysis of regional cost differences in Maine
- Potential need for regional adjustments in EP&S model

Session 3 -- September 27th: Policy Issues A, D, E, F & J

A. Adjustment for special education students

- Presentation of EP&S Special Education Task Force report
- Analysis of methods used in other states and Maine data
- Review of findings and recommendations

B. Review of K-12 teacher recruitment and retention issues

- Review of selected findings from “K-12 Educator Recruitment & Retention Report”
- Review of Maine Education Association data on beginning teacher salaries (per EDU Cmte. request)
- Discussion of policy to establish a teacher recruitment incentive in the EP&S model

C. Review of alternative frameworks for quintile analyses (per EDU Cmte. request)

D. Adjustments to address substantial changes in state/local subsidies

- State role and policy mechanisms used in making adjustments to funding formula components
- Analysis of various methods of making adjustments, and the pros and cons of each (i.e., “hold harmless” and “hardship cushion” provisions)
- Review of recent history of adjustments to funding formula components in Maine
- Potential adjustments needed with EP&S model

E. Review and analysis of per pupil guarantees and targets

Session 4 -- November 1st: Policy Issues C, D & J

A. Review of Essential Programs & Services [EP&S] model

- Review of revisions to key EP&S model components

B. Adjustment for special student populations (special education, Limited English Proficiency (LEP)/ English-as-a-Second Language (ESL) and economically disadvantaged students)

- Analysis of methods used in other states
- Analysis of Maine data and EP&S recommendations

C. Review of other adjustments in EP&S funding formula

- Additional discussion of need for cost-of-education adjustments in EP&S model to address regional cost differences in Maine

D. Special unit/unique costs adjustments

- Review of study plan for geographical isolation/small school costs
- Update on transportation costs study

Session 5 -- November 27th: Policy Issues G, H & I and Committee Report

A. Review preliminary statewide cost estimates to implement EP&S model

- Review FY 2003-04 through FY 2006-07 transition cost estimates to implement EP&S model
- Review efficacy of achieving “majority state funding” and cost estimates to implement LD 1580
- Analysis of needed changes in funding formula to implement EP&S

B. Review of Education Funding Reform Committee progress on tax reform issues

C. Developing the study committee report

- Discussion of substance and materials to be included in the report
- Developing preliminary findings

Session 6 – January 11th: Review Final Report and Policy Issues I & H

A. Raising revenues for school funding

- Review Commissioner’s Recommended Funding Level for FY 2002-03
- Review revenue sources used to support K-12 education in other states
- Review preliminary findings of Education Funding Reform Committee

B. Review proposals to simplify the school funding formula and to make the formula more comprehensible

C. TBA - Address unfinished business and any remaining topics

D. Review and approve final study committee report

Notes:

1. Work Plan prepared at the request of the Joint Standing Committee on Education & Cultural Affairs by Phillip D. McCarthy (Legislative Analyst, OPLA) and David Silvernail (Professor, USM) on 6-20-01.
2. Work plan was revised following discussion with James Watkins (DOE) and Suzan Cameron (DOE) on 7-2-01.
3. "Lettered policy issues (e.g., "policy issue G") refer to items identified in Education Committee request (April, 2001) to the Legislative Council to study the school funding formula.
4. Dates for meetings #2 - #5 were changed at the 1st committee meeting and the date for meeting #5 was subsequently changed back to 11-27-01.

APPENDIX C

List of Resource People and Materials Presented to the Special Education Committee Study of Financing Kindergarten through Grade 12 Public Education

| Resource Materials Provided to the Special Education Committee Study | |
|--|---|
| Resource Materials | Presenter / Author |
| Work Plan, Special Committee Study | Phil McCarthy, Office of Policy & Legal Analysis (OPLA) |
| School Funding Tool Kit: Everything You Always Wanted to Know About School Funding But Were Afraid to Ask (updated July, 2001) | J. Duke Albanese, Commissioner, Yellow Breen, James Watkins, Suzan Cameron and Joanne Allen, Dept. of Education (DOE) |
| School Funding in Maine: A Primer & Update on Key Policy Issues | J. Duke Albanese, Yellow Breen and Suzan Cameron, DOE; and David Silvernail, Maine Education Policy Research Institute (MEPRI), Univ. of Southern Maine (USM) |
| Summary of Policy Issues | Phil McCarthy, OPLA and David Silvernail, MEPRI, USM |
| Assessing the Effectiveness of the School Funding Formula | David Silvernail, MEPRI, USM and Suzan Cameron, DOE |
| State Share Percentages In School Funding Formulas for 1998-99 (July 2001) | A. Mavourneen Thompson and David Silvernail, MEPRI, USM |
| Fiscal Neutrality Index for Maine School Funding Formula 1999 (February 2000) | David Silvernail, MEPRI, USM |
| Measures of Equity in School Finance: Recent Evidence for Maine | David Silvernail, MEPRI, USM |
| Cost of Education Adjustments In States' School Funding Formulas: A Selected Fiscal Issue In School Funding Formulas (August 2001) | A. Mavourneen Thompson and David Silvernail, MEPRI, USM |
| Home Affordability by State of Maine Market Area for Teachers, Non-Teaching School Staff and School Administrators (Summer 2001) | David Silvernail, MEPRI, USM |
| 1999 Average Weekly Wages for Selected Services by State of Maine Labor Market Area (June 2001) | David Silvernail, MEPRI, USM |
| Information on Relationship Between Valuation and Income | David Silvernail, MEPRI, USM |
| Measures of Income in Determining a Resident's Financial Ability to Support Public Education | Richard Sherwood, State Planning Office |
| Income as a Factor in Determining Ability-to-pay For Education: A Selected Fiscal Issue In School Funding Formulas (August 2001) | A. Mavourneen Thompson and David Silvernail, MEPRI, USM |
| Fiscal Neutrality Index for Maine School Funding Formula 1999 (February 2000) | David Silvernail, MEPRI, USM |
| Measures of Equity in School Finance: Recent Evidence for Maine | David Silvernail, MEPRI, USM |
| School Funding State Share Percentages of States that Employ Various Taxation Methods (January 2002) | A. Mavoureen Thompson, MEPRI, USM |

| Resource Materials Provided to the Special Education Committee Study | |
|---|---|
| Resource Materials | Presenter / Author |
| Taxation Options: A Brief (November 2001) | A. Mavoureen Thompson, MEPRI, USM |
| Selected Information About the New Hampshire School Funding Formula: Cost & Revenues (September 2001) | A. Mavoureen Thompson, MEPRI, USM |
| Teacher Recruitment & Retention (April 2001) | Judith Lucarelli, DOE |
| Quality Educators: The Best Opportunity for Maine Children (April 2001) | Judith Lucarelli, DOE |
| Comparison of Different Types of Quintile Analyses | Suzan Cameron, DOE |
| Maine Teacher Shortages: Fast Facts | Judith Lucarelli, DOE |
| Percent "Climb" in Minimum Teacher Salaries to Average Teacher Salaries (2000) | U.S. Department of Education |
| 1998-99 Average Minimum and Average Teacher Salaries (2000) | U.S. Department of Education |
| Teacher Costs in EPS Model | David Silvernail, MEPRI, USM |
| Selected School Units with Comparable BA Maximum Salary Rates Comparison of Years to Maximum (September 2001) | Joe Stupak, Maine Education Association |
| Salary Benchmark Rankings (2000-01) | Maine Education Association |
| Essential Programs & Services Special Education Task Force Report | Weston Bonney and Joyce McPhetres, State Board of Education (SBE); Denison Gallaudet, Supt., Richmond; Walt Harris and Pushpam Jain, MEPRI, Univ. of Maine (UM) |
| A Census Approach to Special Education Funding | Walt Harris and Pushpam Jain, MEPRI, UM |
| Criteria for Effective Special Education Funding Formulas (February 1995) | Thomas B. Parrish, Center for Special Education Finance |
| Winners All: A Call for Inclusive Schools (1992) | National Association of State Boards of Education, Study Group on Special Education |
| Targets for Per-pupil Guarantee, Reduction Percentage and Cushions (September 2001) | Jim Watkins, Suzan Cameron and Joanne Allen, DOE |
| Average Home Prices by State of Maine Market Area – 1998; Average Rent by State of Maine Market Area – 1998; Home Price Ratio and Rent Ratio; Teacher Salary Ratio vs. Home Price Ratio – 1998; Teacher Salary Ratio vs. Rent Ratio – 1998; Home Affordability Index for Market Area Assuming State Average Teacher Salary – 1998; Rent Affordability Index for Market Area Assuming State Average Beginning Teacher Salary – 1998 | David Silvernail, MEPRI, USM |
| Maine Housing Market Areas – 1999 | Maine Housing Authority |

| Resource Materials Provided to the Special Education Committee Study | |
|--|---|
| Resource Materials | Presenter / Author |
| Residential Property Tax Burden | Julie Jones, Office of Fiscal & Program Review (OFPR) |
| Education Funding Reform Committee: Staff Summary of Proposed Recommendations | Julie Jones, OFPR Phil McCarthy, OPLA |
| Education Funding Reform Committee: Michigan Timeline and Michigan / Maine Comparison | Julie Jones, OFPR |
| Analyses of Carry-over Bills Addressing School Funding | Phil McCarthy, OPLA |
| Essential Programs & Evaluation Model Development | Weston Bonney, SBE and David Silvernail, MEPRI, USM |
| Geographic Isolation: Essential Programs and Services (October 2001) | Jose Marichal, MEPRI, UM |
| States' Provisions of Extra Funding For Economically-disadvantaged Students (October 2001) | A. Mavoureen Thompson and David Silvernail, MEPRI, USM |
| An Analysis of State Funding and Program Needs For Limited English Proficiency Students (October 2001) | Mark Kellis, Scott Brezovsky and David Silvernail, MEPRI, USM; and James Watkins, DOE |
| Essential Programs & Evaluation Model Development | David Silvernail, MEPRI, USM |
| Preliminary Essential Programs & Services Model 1999-2000 Cost Estimates -- Committee on Education & Cultural Affairs Version -- State Board of Education Version | David Silvernail, MEPRI, USM; and Yellow Breen and James Watkins, DOE |
| Preliminary: Transitioning to Essential Programs & Services: Statewide Cost Estimates for Some Possible Scenarios | J. Duke Albanese, Yellow Breen, Jim Watkins, Suzan Cameron and Joanne Allen, DOE |
| Commissioner's Recommended Funding Level, FY 2002-03 | J. Duke Albanese, DOE |
| School Funding in Maine: FY 2002-03 Recommended & Certified Funding Level | J. Duke Albanese, DOE and Jean Gulliver, SBE |

APPENDIX D

**Essential Programs & Services Model Development presented by
the State Board of Education to the Special Education Committee Study**

Essential Programs & Evaluation Model Development

| | Original EPS Model | Revised EPS Model |
|--------------------------------------|--------------------|-------------------|
| A. Personnel | | |
| <u>FTE Personnel (ratios)</u> | | |
| 1. Teachers | | |
| K-5 | 1-17 | 1-17 |
| 6-8 | 1-16 | 1-16 |
| 9-12 | 1-15 | 1-15 |
| 2. Education Technicians | | |
| K-8 | 1-100 | 1-100 |
| 9-12 | 1-250 | 1-250 |
| 3. Guidance/Counseling Staff | | |
| K-8 | 1-350 | 1-350 |
| 9-12 | 1-250 | 1-250 |
| 4. Library Staff | | |
| (a) Librarian (K-12) | 1-800 | 1-800 |
| (b) Media Assistant (K-12) | 1-500 | 1-500 |
| 5. Health Staff (K-12) | 1-800 | 1-800 |
| 6. Administrative Staff | | |
| K-8 | 1-305 | 1-305 |
| 9-12 | 1-315 | 1-315 |
| 7. Clerical Staff (K-12) | 1-200 | 1-200 |
| 8. Substitute Teachers | ½ day per pupil | ½ day per pupil |

Essential Programs & Evaluation Model Development

| | Original EPS Model | Revised EPS Model |
|----------------------------------|--------------------------------------|--|
| <u>Personnel Salaries</u> | | |
| 1. Teachers | Ave. State Salary: \$32,291 | Salary schedule reflecting current state averages. |
| 2. Education Technician | Ave. State Salary: \$12,024 | Salary schedule reflecting current state averages. |
| 3. Guidance/Counseling Staff | Ave. State Salary: \$38,267 | Salary schedule reflecting current state averages. |
| 4. Library Staff | | |
| (a) Librarian (K-12) | Ave. State Salary: \$36,759 | Salary schedule reflecting current state averages. |
| (b) Media Assistant (K-12) | Ave. State Salary: \$12,879 | |
| 5. Health Staff (K-12) | Ave. State Salary: \$31,567 | Salary schedule reflecting current state averages. |
| 6. Administrative Staff | Ave. State Salary: \$51,212 | Salary schedule reflecting current state averages. |
| 7. Clerical Staff (K-12) | Ave. State Salary: \$18,621 | Salary schedule reflecting current state averages. |
| 8. Substitute Teachers | Ave. State Salary for ½ day: \$25.00 | Salary schedule reflecting current state averages. |
| <u>Personnel Benefits</u> | | |
| All personnel | 15% | 17% = Teachers & Support Staff 12% = Administrative Staff |

| | | |
|------------------------------------|-----------------|-----------------|
| B. Supplies & Equipment | | |
| K-8 | \$285 per pupil | \$305 per pupil |
| 9-12 | \$430 per pupil | \$460 per pupil |

Essential Programs & Evaluation Model Development

| | Original EPS Model | Revised EPS Model |
|--|--------------------|--|
| C. Specialized Student Population | | |
| 1. Special needs pupils | 2.10 weight | Census model of 15% of school population with rate of: K-8 = \$6203 9-12 = \$3224 |
| 2. Limited English Speaking Pupil (LEP) | 1.15 weight | 1.60 weight = 1-15 students 1.30 weight = 16-164 students 1.50 weight = 165 or more students |
| 3. Disadvantaged Youth/% free & reduced lunch (K-12) | 1.02 weight | 1.15 weight |
| 4. K-2 Primary Grade Children | 1.10 weight | 1.10 weight |

| | | |
|--|-----------------|-----------------|
| D. Specialized Services | | |
| 1. Professional Development (K-12) | \$50 per pupil | \$50 per pupil |
| 2. Instructional Leadership Support (K-12) | \$20 per pupil | \$20 per pupil |
| 3. Student Assessment (K-12) | \$100 per pupil | \$100 per pupil |
| 4. Technology Resources (K-12) | \$175 per pupil | \$175 per pupil |
| 5. Co- and Extra-Curricular Student Learning | | |
| K-8 | \$25 per pupil | \$25 per pupil |
| 9-12 | \$58 per pupil | \$58 per pupil |

Essential Programs & Evaluation Model Development

| | Original EPS Model | Revised EPS Model |
|-------------------------------------|--------------------|------------------------|
| E. District Services | | |
| 1. System Administrator/ Support | | |
| K-8 | \$225 per pupil | \$250 per pupil |
| 9-12 | \$270 per pupil | \$265 per pupil |
| 2. Maintenance & Operations | | |
| K-8 | \$625 per pupil | \$675 per pupil |
| 9-12 | \$825 per pupil | \$835 per pupil |

| | | |
|--|---|--|
| F. Special Adjustments | | |
| 1. Vocational Education | Current Practice (as Program Cost) | Current Practice (as Program Cost) |
| 2. Education Levels | 16% increase for masters & higher teachers | Adjustment to be made in weighted salary schedule |
| 3. Transportation | Current Practice (as Program Cost) | Current Practice (as Program Cost) |
| 4. Small Schools/Geographic Isolation | To be determined | To be determined |
| 5. Debt Service | Current Practice (as Program Cost) | Current Practice (as Program Cost) |

| | | |
|---|------|--|
| G. Other Adjustments | | |
| 1. Regional cost of Education Adjustment | None | |
| 2. Teacher Recruitment & Retention Incentive | None | |
| 3. Regionalization Incentive | None | |

APPENDIX E

Preliminary Essential Programs & Services Model 1999-2000 Cost Estimate: Committee on Education & Cultural Affairs Version

Revised January 5, 2002

**Preliminary Essential Programs & Services Model
1999-2000 Cost Estimate**

Committee on Educational & Cultural Affairs Version

| EPS Component | Costs | Percent of Total Cost |
|---|---------------|----------------------------------|
| <u>A. Personnel Salary Costs</u> | | |
| Teachers | \$481,407,435 | |
| Education Technicians | \$22,302,403 | |
| Guidance/Counseling Staff | \$27,847,207 | |
| Library Staff | \$16,231,404 | |
| Health Staff | \$9,127,008 | |
| School-Level Administrative Staff | \$38,129,697 | |
| Clerical Staff | \$21,513,661 | |
| Substitute Teachers | \$5,867,362 | |
| | <hr/> | |
| | \$622,426,177 | 39.6% |
| <u>Personnel Benefit Costs</u> | | |
| Teacher & Support Staff | \$98,335,852 | |
| School-Level Administrative Staff | \$4,563,503 | |
| | <hr/> | |
| | \$102,899,355 | 6.5% |
| <u>B. Supplies & Equipment Costs</u> | | |
| | \$76,637,171 | 4.9% |
| <u>C. Specialized Student Population Costs</u> | | |
| Special Needs Education* | \$169,697,968 | |
| K-2 Pupils | \$22,708,119 | |
| LEP Pupils | \$5,388,185 | |
| Disadvantaged Pupils | \$54,170,375 | |
| | <hr/> | |
| | \$251,964,647 | 16.0% |

* State/Local General Fund only

Revised January 5, 2002

| EPS Component | Costs | Percent of Total Cost |
|---|----------------------|-----------------------|
| <u>D. Specialized Services Costs</u> | | |
| Professional Development | \$10,865,486 | |
| Instructional Leadership Support | \$4,346,194 | |
| Student Assessment | \$21,730,970 | |
| Technology Resources | \$38,029,198 | |
| Co & Extra-Curricular Student Learning | \$7,637,933 | |
| | <u>\$82,609,781</u> | 5.3% |
| <u>E. District Administrative Unit Costs</u> | | |
| System Administration/Support | \$55,329,785 | |
| Maintenance & Operations | \$157,375,880 | |
| | <u>\$212,705,665</u> | 13.5% |
| <u>F. Special Adjustment Costs</u> | | |
| Vocational Education | \$27,701,466 | |
| Transportation | \$72,066,803 | |
| Small School/Geographic Isolation | N/A | |
| Debt Service | \$76,121,316 | |
| | <u>\$175,889,585</u> | 11.2% |
| <u>G. Other Adjustments</u> | | |
| Regional Cost of Education Adjustment | N/A | |
| Teacher Recruitment & Retention Incentive | N/A | |
| Regionalization Incentive | N/A | |
| <u>H. Miscellaneous Non-EPS Costs</u> | | |
| | <u>\$47,753,925</u> | 3.0% |
| GRAND TOTAL | \$1,572,886,302 | 100% |
| TOTAL STATE & LOCAL 1999-2000 EXPENDITURES | \$1,414,748,147 | |
| DIFFERENCE | \$158,138,155 | |
| | <u>(11.2%)</u> | |

Note: Other Federal and State revenues may be applicable to offset this difference - such as Title I and Per Pupil Professional Development funds.

Essential Programs & Services Model
PRELIMINARY 1999-2000 Cost Estimate

Requested by the Committee on Educational & Cultural Affairs

Times
Basic
Pupil
CountTimes
Pupils based on
Special Education
CensusTimes
Add'l Weight
for K-2
PupilsTimes
Add'l Weight
for LEP
PupilsTimes
Add'l Weight
Disadvantaged
PupilsTotal
Cost

1.00

15.22%

0.10

1 to 15 at 0.60
16 to 164 at 0.30
165 or more 0.50

0.15

Basic and Specialized Student Population Totals (A. through E.)

\$1,097,278,145

\$169,697,968

\$22,708,119

\$5,388,185

\$54,170,375

Adjustments & Miscellaneous (F. through H.)

\$223,643,510

GRAND TOTAL**\$1,572,886,302****A. Personnel**

| Salaries | FTE Personnel Ratios | Average Salaries | Per Pupil Amount | | | | | | |
|------------------------------------|----------------------|------------------|------------------|---------------|--|-------------|-------------|--------------|---------------|
| Teachers | | | | | | | | | |
| K-5 | 1 to 17 | \$35,622 | \$2,098 | \$206,049,720 | | \$9,898,532 | \$1,158,348 | \$10,409,049 | \$227,515,648 |
| 6-8 | 1 to 16 | \$35,622 | \$2,229 | \$116,517,186 | | | \$530,457 | \$5,965,372 | \$123,013,016 |
| 9-12 | 1 to 15 | \$35,622 | \$2,377 | \$158,840,529 | | | \$674,117 | \$7,398,555 | \$166,913,201 |
| Education Technicians | | | | | | \$594,478 | \$69,567 | \$625,138 | \$13,663,952 |
| K-5 | 1 to 100 | \$12,597 | \$126 | \$12,374,769 | | | \$29,985 | \$337,208 | \$6,953,629 |
| 6-8 | 1 to 100 | \$12,597 | \$126 | \$6,586,436 | | | \$14,180 | \$155,628 | \$3,511,006 |
| 9-12 | 1 to 250 | \$12,597 | \$50 | \$3,341,198 | | | | | |
| Guidance/Counseling Staff | | | | | | \$537,861 | \$62,942 | \$565,601 | \$12,362,623 |
| K-5 | 1 to 350 | \$39,846 | \$114 | \$11,196,219 | | | \$27,130 | \$305,093 | \$6,291,379 |
| 6-8 | 1 to 350 | \$39,846 | \$114 | \$5,959,156 | | | \$45,376 | \$498,010 | \$11,235,218 |
| 9-12 | 1 to 250 | \$39,846 | \$160 | \$10,691,832 | | | | | |
| Library Staff | | | | | | \$226,468 | \$26,502 | \$238,148 | \$5,205,315 |
| Librarian | | | | | | | \$11,423 | \$128,460 | \$2,649,002 |
| K-5 | 1 to 800 | \$38,184 | \$48 | \$4,714,198 | | | \$13,329 | \$146,290 | \$3,300,345 |
| 6-8 | 1 to 800 | \$38,184 | \$48 | \$2,509,118 | | | | | |
| 9-12 | 1 to 800 | \$38,184 | \$47 | \$3,140,726 | | | | | |
| Media Assistant | | | | | | \$127,388 | \$14,907 | \$133,958 | \$2,927,990 |
| K-5 | 1 to 500 | \$13,688 | \$27 | \$2,651,736 | | | \$6,425 | \$72,259 | \$1,490,063 |
| 6-8 | 1 to 500 | \$13,688 | \$27 | \$1,411,379 | | | \$7,657 | \$84,039 | \$1,895,943 |
| 9-12 | 1 to 500 | \$13,688 | \$27 | \$1,804,247 | | | | | |
| Health Staff | | | | | | \$198,159 | \$23,189 | \$208,379 | \$4,554,651 |
| K-5 | 1 to 800 | \$33,520 | \$42 | \$4,124,923 | | | \$9,995 | \$112,403 | \$2,317,876 |
| 6-8 | 1 to 800 | \$33,520 | \$42 | \$2,195,479 | | | \$11,911 | \$130,728 | \$2,949,245 |
| 9-12 | 1 to 800 | \$33,520 | \$42 | \$2,806,606 | | | | | |
| School Administrative Staff | | | | | | \$835,100 | \$97,725 | \$878,170 | \$19,194,600 |
| K-5 | 1 to 305 | \$54,138 | \$177 | \$17,383,604 | | | \$42,122 | \$473,697 | \$9,768,194 |
| 6-8 | 1 to 305 | \$54,138 | \$177 | \$9,252,374 | | | \$48,779 | \$535,360 | \$12,077,859 |
| 9-12 | 1 to 315 | \$54,138 | \$172 | \$11,493,719 | | | | | |
| Clerical Staff | | | | | | \$467,090 | \$54,660 | \$491,180 | \$10,735,962 |
| K-5 | 1 to 200 | \$19,753 | \$99 | \$9,723,033 | | | \$23,560 | \$264,949 | \$5,463,566 |
| 6-8 | 1 to 200 | \$19,753 | \$99 | \$5,175,057 | | | \$28,076 | \$308,143 | \$6,951,791 |
| 9-12 | 1 to 200 | \$19,753 | \$99 | \$6,615,571 | | | | | |
| Substitute Teachers | | | | | | \$127,388 | \$14,907 | \$133,958 | \$2,927,990 |
| K-5 | 1/2 day per pupil | | \$27 | \$2,651,736 | | | \$6,425 | \$72,259 | \$1,490,063 |
| 6-8 | 1/2 day per pupil | | \$27 | \$1,411,379 | | | \$7,657 | \$84,039 | \$1,895,943 |
| 9-12 | 1/2 day per pupil | | \$27 | \$1,804,247 | | | | | |

| Essential Programs & Services Model PRELIMINARY 1999-2000 Cost Estimate | | Times Basic Pupil Count | C. Specialized Student Population | | | | Total Cost |
|--|---------|----------------------------------|---|--|--|--|-----------------|
| | | | Times Pupils based on Special Education Census | Times Add'l Weight for K-2 Pupils | Times Add'l Weight for LEP Pupils | Times Add'l Weight Disadvantaged Pupils | |
| Requested by the Committee on Educational & Cultural Affairs | | | | | 1 to 15 at 0.60 16 to 164 at 0.30 165 or more 0.50 | | |
| | | 1.00 | 15.22% | 0.10 | | 0.15 | |
| Basic and Specialized Student Population Totals (A. through E.) | | \$1,097,278,145 | \$169,697,968 | \$22,708,119 | \$5,388,185 | \$54,170,375 | |
| Adjustments & Miscellaneous (F. through H.) | | | | | | | \$223,643,510 |
| GRAND TOTAL | | | | | | | \$1,572,886,302 |
| A. Personnel - continued | | | | | | | |
| Benefits | Percent | | Per Pupil Amount | | | | |
| Teachers & Support Staff | | | | | | | |
| K-5 | 17% | | \$434 | \$42,624,203 | \$2,047,647 | \$239,620 | \$2,153,254 |
| 6-8 | 17% | | \$456 | \$23,836,625 | | \$108,519 | \$1,220,372 |
| 9-12 | 17% | | \$477 | \$31,875,024 | | \$135,277 | \$1,484,691 |
| School Administrative Staff | | | | | | | |
| K-5 | 12% | | \$21 | \$2,062,461 | \$99,080 | \$11,595 | \$104,190 |
| 6-8 | 12% | | \$21 | \$1,097,739 | | \$4,998 | \$56,201 |
| 9-12 | 12% | | \$21 | \$1,403,303 | | \$5,956 | \$65,364 |
| B. Supplies & Equipment | | | | | | | |
| | | | Per Pupil Amount | | | | |
| K-5 | | | \$305 | \$29,954,797 | \$1,439,014 | \$168,397 | \$1,513,232 |
| 6-8 | | | \$305 | \$15,943,357 | | \$72,584 | \$816,258 |
| 9-12 | | | \$460 | \$30,739,017 | | \$130,456 | \$1,431,778 |
| C. Specialized Student Population | | | | | | | |
| Special Needs pupils | | | Per Pupil Amount | | | | |
| K-5 | | | \$5,738 | \$84,529,603 | | | \$84,529,603 |
| 6-8 | | | \$5,738 | \$45,148,472 | | | \$45,148,472 |
| 9-12 | | | \$4,035 | \$40,019,893 | | | \$40,019,893 |
| Special Needs Insurance Fund | | | | | | | N/A |
| D. Specialized Services | | | | | | | |
| | | | Per Pupil Amount | | | | |
| Professional Development | | | | | | | |
| K-5 | | | \$50 | \$4,910,623 | \$235,904 | \$27,606 | \$248,071 |
| 6-8 | | | \$50 | \$2,613,665 | | \$11,899 | \$133,813 |
| 9-12 | | | \$50 | \$3,341,198 | | \$14,180 | \$155,628 |
| Instructional Leadership Support | | | | | | | |
| K-5 | | | \$20 | \$1,964,249 | \$94,362 | \$11,042 | \$99,228 |
| 6-8 | | | \$20 | \$1,045,466 | | \$4,760 | \$53,525 |
| 9-12 | | | \$20 | \$1,336,479 | | \$5,672 | \$62,251 |
| Student Assessment | | | | | | | |
| K-5 | | | \$100 | \$9,821,245 | \$471,808 | \$55,212 | \$496,142 |
| 6-8 | | | \$100 | \$5,227,330 | | \$23,798 | \$267,626 |
| 9-12 | | | \$100 | \$6,682,395 | | \$28,360 | \$311,256 |

PRELIMINARY - Revised January 5, 2002

MAINE DEPARTMENT OF EDUCATION

1/7/02 8:35 AM

| Essential Programs & Services Model PRELIMINARY 1999-2000 Cost Estimate | | C. Specialized Student Population | | | | | Total Cost |
|--|--------------------------|-----------------------------------|---|--|--|--|-----------------|
| | | Times Basic Pupil Count | Times Pupils based on Special Education Census | Times Add'l Weight for K-2 Pupils | Times Add'l Weight for LEP Pupils | Times Add'l Weight Disadvantaged Pupils | |
| Requested by the Committee on Educational & Cultural Affairs | | | | | | | |
| | | 1.00 | 15.22% | 0.10 | 1 to 15 at 0.60 16 to 164 at 0.30 165 or more 0.50 | 0.15 | |
| Basic and Specialized Student Population Totals (A. through E.) | | \$1,097,278,145 | \$169,697,968 | \$22,708,119 | \$5,388,185 | \$54,170,375 | \$223,643,610 |
| Adjustments & Miscellaneous (F. through H.) | | | | | | | \$1,572,886,302 |
| GRAND TOTAL | | | | | | | |
| D. Specialized Services - continued | | | | | | | |
| Technology Resources | | | | | | | |
| K-5 | \$175 | \$17,187,179 | | \$825,684 | \$96,621 | \$868,248 | \$18,977,711 |
| 6-8 | \$175 | \$9,147,828 | | | \$41,647 | \$468,345 | \$9,657,819 |
| 9-12 | \$175 | \$11,694,191 | | | \$49,630 | \$544,698 | \$12,288,519 |
| Co- and Extra-Curricular Student Learning | | | | | | | |
| K-5 | \$25 | \$2,455,311 | | \$117,952 | \$13,803 | \$124,035 | \$2,711,102 |
| 6-8 | \$25 | \$1,306,833 | | | \$5,950 | \$66,906 | \$1,379,688 |
| 9-12 | \$58 | \$3,875,789 | | | \$16,449 | \$180,528 | \$4,072,766 |
| E. School Administrative Unit Services | | | | | | | |
| | Per Pupil Amount | | | | | | |
| System Administration / Support | | | | | | | |
| K-5 | \$250 | \$24,553,113 | | \$1,179,520 | \$138,030 | \$1,240,354 | \$27,111,016 |
| 6-8 | \$250 | \$13,068,325 | | | \$59,495 | \$669,064 | \$13,796,884 |
| 9-12 | \$265 | \$17,708,347 | | | \$75,154 | \$824,828 | \$18,608,329 |
| Maintenance & Operation | | | | | | | |
| K-5 | \$675 | \$66,293,404 | | \$3,184,704 | \$372,681 | \$3,348,955 | \$73,199,744 |
| 6-8 | \$675 | \$35,284,478 | | | \$160,637 | \$1,806,472 | \$37,251,586 |
| 9-12 | \$835 | \$55,797,998 | | | \$236,806 | \$2,598,988 | \$58,633,792 |
| F. Special Adjustments | | | | | | | |
| Vocational Education | Current Practice | | | | | | \$27,701,466 |
| Educational Levels | Currently under Salaries | | | | | | |
| Transportation | Current Practice | | | | | | \$72,066,803 |
| Small Schools / Geographic Isolation | To be determined | | | | | | N/A |
| Debt Service | Current Practice | | | | | | \$76,121,316 |
| G. Other Adjustments | | | | | | | |
| Regional Cost of Education Adjustment | To be determined | | | | | | N/A |
| Teacher Recruitment & Retention Incentive | To be determined | | | | | | N/A |
| Regionalization Incentive | To be determined | | | | | | N/A |
| H. Miscellaneous Non-Essential Programs & Services Costs | | | | | | | |
| Gifted & Talented Programs | | | | | | | \$7,709,782 |
| State Wards -- Special Education Costs | | | | | | | \$7,514,925 |
| State Agency Clients -- Special Education Costs | | | | | | | \$18,924,228 |
| Private School Services | | | | | | | \$201,000 |
| Geographic Isolation Grants | | | | | | | \$250,000 |
| Contract for Income & Cola | | | | | | | \$0 |
| Out-of-District Placement Adjustments | | | | | | | \$13,093,014 |
| Long-Term Drug Treatment Adjustment | | | | | | | \$60,976 |

| Essential Programs & Services Model PRELIMINARY 1999-2000 Cost Estimate Requested by the Committee on Educational & Cultural Affairs | Times Basic Pupil Count | C. Specialized Student Population | | | | Total Cost |
|--|----------------------------------|---|--|--|--|------------------------|
| | | Times Pupils based on Special Education Census | Times Add'l Weight for K-2 Pupils | Times Add'l Weight for LEP Pupils | Times Add'l Weight Disadvantaged Pupils | |
| | | 1.00 | 15.22% | 0.10 | 1 to 15 at 0.60 16 to 164 at 0.30 165 or more 0.50 | 0.15 |
| Basic and Specialized Student Population Totals (A. through E.) | | \$1,097,278,145 | \$169,697,968 | \$22,708,119 | \$5,388,185 | \$54,170,375 |
| Adjustments & Miscellaneous (F. through H.) | | | | | | \$223,643,510 |
| GRAND TOTAL | | | | | | \$1,572,886,302 |

TOTAL STATE & LOCAL FUNDS AVAILABLE IN 1999-2000

| | |
|--|-------------------------------------|
| General Purpose Aid to Local Schools | \$625,785,284 |
| Required Local Funds Raised (per ED 261) | \$567,507,460 |
| Additional Local Funds Raised (Total Local Raised per EF-M-46 report less local required per ED 261) | \$221,455,403 |
| | \$1,414,748,147 |
| Note: Other Federal and State revenues may be applicable to offset this difference -- such as Title I and Per Pupil Professional Development funds. | DIFFERENCE: \$158,138,155 11.18% |

| Combined Per Pupil Amounts excluding Special Needs | | Per Pupil Amount |
|--|--|---------------------|
| K-5 | | \$4,813 |
| 6-8 | | \$4,966 |
| 9-12 | | \$5,462 |
| Special Needs Per Pupil Amounts | | Per Pupil Amount |
| K-5 | | \$5,738 |
| 6-8 | | \$5,738 |
| 9-12 | | \$4,035 |

Essential Programs & Services Model

PRELIMINARY 1999-2000 Cost Estimate

Requested by the Committee on Educational & Cultural Affairs

Basic Student Counts

| | K-5 | 6-8 | 9-12 |
|--|-----------|-----------|-----------|
| Attending Pupils and adjustments | | | |
| 1999-2000 Attending Pupil Count | 96,790.70 | 51,697.30 | 65,165.50 |
| Adjustment for Declining Enrollment | 1,421.75 | 576.00 | 688.00 |
| Adjustment for Adult Education Courses | 0.00 | 0.00 | 893.70 |
| Adjustment for Equivalent Instruction Pupils | 0.00 | 0.00 | 76.75 |
| Sub-total | 98,212.45 | 52,273.30 | 66,823.95 |

Specialized Student Counts

| | K-5 | 6-8 | 9-12 |
|---------------------------------|-----------|-----------|-----------|
| Special Needs Pupils | | | |
| 1999-2000 Attending Pupil Count | 96,790.70 | 51,697.30 | 65,165.50 |
| 3 Year Average Incident Rate | 15.22% | 15.22% | 15.22% |
| | 14,731.54 | 7,868.33 | 9,918.19 |

| | K-5 | 6-8 | 9-12 |
|--|----------|--------|--------|
| Limited English Speaking Pupils (LEP) | | | |
| Units with 1 to 15 students | 180.70 | 65.30 | 69.00 |
| Units with 16 to 164 students | 684.00 | 256.00 | 254.00 |
| Units with 165 or more students | 477.00 | 244.00 | 332.00 |
| | 1,341.70 | 565.30 | 655.00 |
| Additional weighted count | | | |
| Units with 1 to 15 students at 0.60 | 108.42 | 39.18 | 41.40 |
| Units with 16 to 164 students at 0.30 | 205.20 | 76.80 | 76.20 |
| Units with 165 or more students at 0.50 | 238.50 | 122.00 | 166.00 |
| | 552.12 | 237.98 | 283.60 |

| | K-5 | 6-8 | 9-12 |
|-----------------------------------|-----------|-----------|-----------|
| Disadvantaged Youth Pupils | | | |
| | 33,076.10 | 17,841.70 | 20,750.40 |
| Times weight | 0.15 | 0.15 | 0.15 |
| Additional weighted count | 4,961.42 | 2,676.26 | 3,112.56 |

| | K-5 | 6-8 | 9-12 |
|---------------------------------|-----------|-----|------|
| K-2 Pupils | | | |
| 1999-2000 Attending Pupil Count | 47,180.80 | | |
| Times weight | 0.10 | | |
| Additional weighted count | 4,718.08 | | |

APPENDIX F

**Preliminary: Transitioning to Essential Programs & Services: Some Possible Scenarios
as presented to the Special Education Committee Study**

**Preliminary:
Transitioning to Essential Programs & Services
Some Possible Scenarios
November 27, 2001**

1. The vision for implementing Essential Programs & Services includes a method of transitioning to this new approach for funding K-12 education in Maine. The initial view of transitioning was encompassed in an eight year plan, divided into two phases:

| | |
|--|--|
| Phase I (4 years: FY 00 – FY 03) | <ul style="list-style-type: none"> ✓ Increases in the Per-pupil Guarantee for better alignment with actual operating cost expenditures ✓ Gradual elimination of the subsidy reduction percentage from about -22% to 0% |
| Phase II (4 years: FY 04 – FY 07) | <ul style="list-style-type: none"> ✓ The core <i>Essential Programs & Services</i> model is implemented in FY04. ✓ State/local funds would slowly increase to 100% of the <i>Essential Programs & Services</i> requirements. ✓ The full <i>Essential Programs & Services</i> model would be implemented by FY 07. |

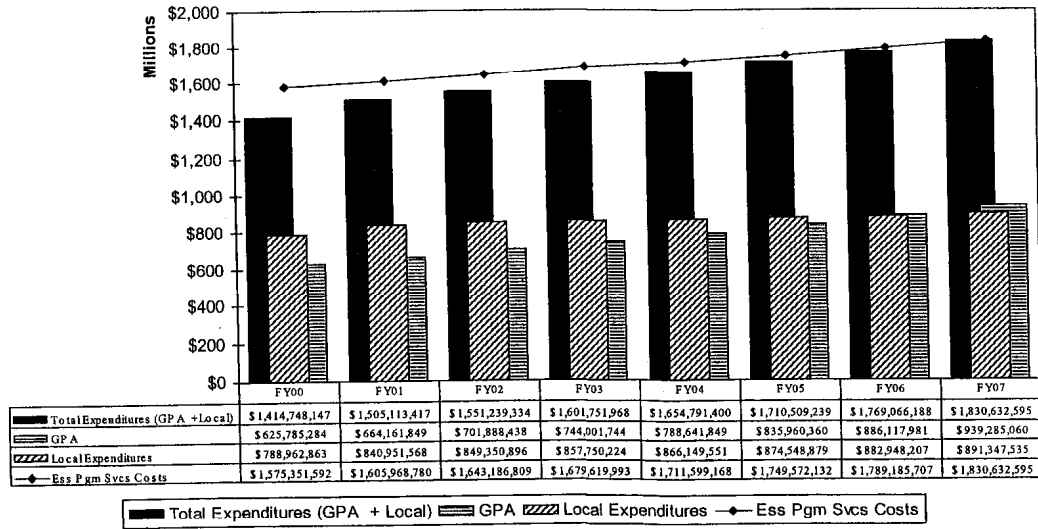
2. Many different transition plans are possible, each with different features. For example, the transition depends on each of the following:
 - Which components will be included in the approved *Essential Programs & Services* model. For example, if different pupil weights are included, this will affect the total *Essential Programs & Services* costs that a transition plan must consider.
 - The number of years to full implementation of *Essential Programs & Services*. Initially, an eight-year transition was visualized, as described above. However, if current economic conditions are considered, nine or perhaps ten years may be a more feasible timeline.
 - The target percentage for the state share. Current state law specifies the intent for a 55% state share. However, the statutory language regarding this percentage does not consider any of the adjustments (Geographic Isolation, out-of-district placements, etc.) and it considers only the School Finance Act of 1985. Funds that are calculated in accordance with the School Finance of 1995 are not considered in calculating the percentage.
 - The amount and type of a GPA Cushion.
 - The percentage of annual increase in GPA. This feature is related to all of the features described above.

3. Four possible scenarios for transitioning to full implementation of *Essential Programs & Services* are attached. Other scenarios may need to be considered before a final decision is made. The four attached scenarios include:

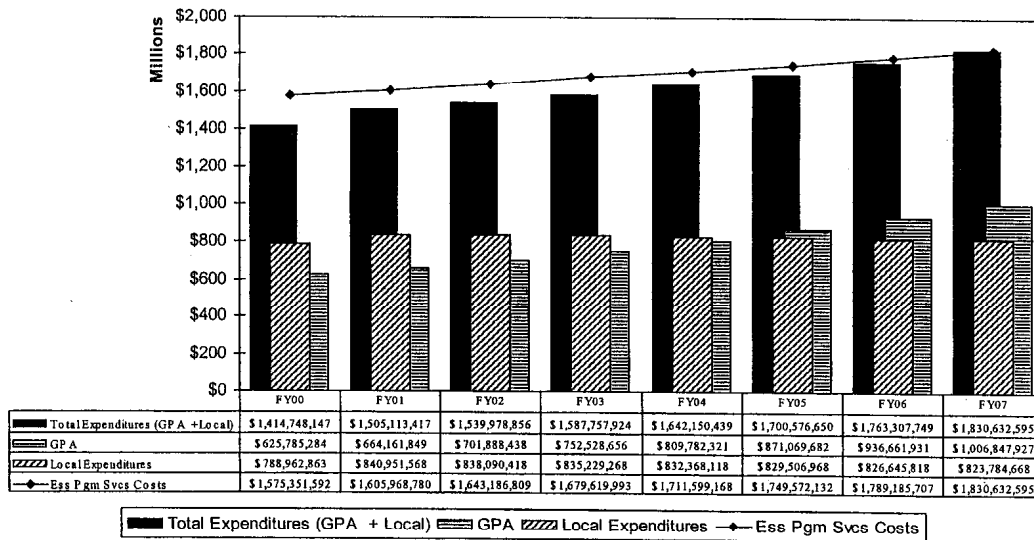
| | |
|---------------------|--|
| Scenario IA | <u>Assumptions:</u> ✓ Disadvantaged Pupil Weight is 0.15 ✓ Annual increase in GPA, beginning in FY 03, is 6% |
| Scenario IB | <u>Assumptions:</u> ✓ Disadvantaged Pupil Weight is 0.15 ✓ Annual increase in GPA is set to reach 55% state share in FY 07 |
| Scenario IIA | <u>Assumptions:</u> ✓ Disadvantaged Pupil Weight is 0.05 ✓ Annual increase in GPA, beginning in FY 03, is 6% |
| Scenario IIB | <u>Assumptions:</u> ✓ Disadvantaged Pupil Weight is 0.05 ✓ Annual increase in GPA is set to reach 55% state share in FY 07 |

4. Other features that are common to all four of the attached scenarios are as follows:
- The projected Essential Programs & Services costs begin with the current estimated FY00 cost. Each succeeding year reflects (a) a 3.32% inflation, and the projected decline in the number of students, as determined by the State Planning Office.
 - State Valuation will annually increase by 4%.
 - None of the four attached scenarios includes a cushion.

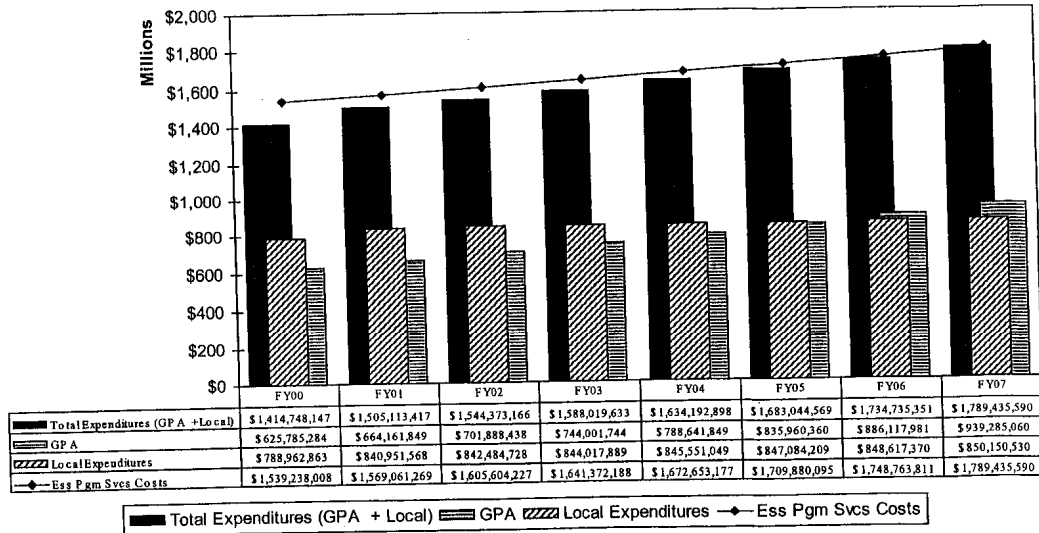
EPS Transition Scenario IA: (Disadvantaged Pupil Weight = 0.15 & GPA Increases Annually by 6%)



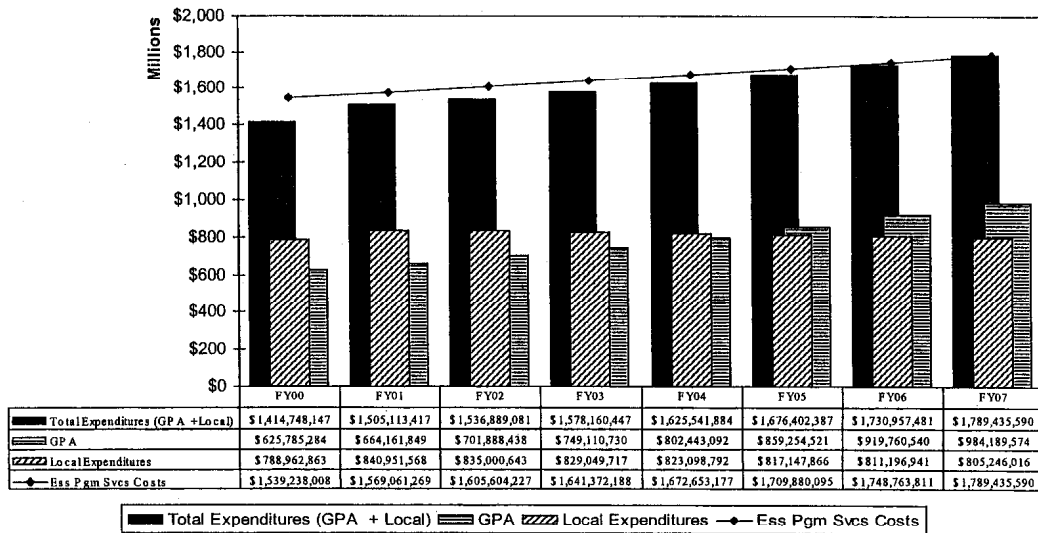
EPS Transition Scenario IB: (Disadvantaged Pupil Weight = 0.15 & GPA Increases to a 55% State Share by FY07)



EPS Transition Scenario IIA: (Disadvantaged Pupil Weight = 0.05 & GPA Increases Annually by 6%)



EPS Transition Scenario IIB: (Disadvantaged Pupil Weight = 0.05 & GPA Increases to a 55% State Share by FY07)



A Comparison of the 4 Scenarios

| | Scenario IA | Scenario IB | Scenario IIA | Scenario IIB |
|--|--------------------------------------|--------------------------------------|---|---|
| Essential Programs & Services is fully implemented by: | FY07 | FY07 | FY07 | FY07 |
| Disadvantaged Pupil Weight | 0.15 (Education Committee choice) | 0.15 (Education Committee choice) | 0.05 (Initial State Board of Education recommendation) | 0.05 (Initial State Board of Education recommendation) |
| Total GPA in FY07 | \$939,285,060 | \$1,006,847,927 | \$939,285,060 | \$984,189,574 |
| State Share % in FY 07 | 51.3% | 55% | 52.5% | 55% |
| Average % of GPA Increase (FY 03 through FY 07) | 6% | 7.48% | 6% | 6.99% |